Everyone a Changemaker
Social Entrepreneurship’s Ultimate Goal

Rodrigo Baggio grew up in Rio de Janeiro loving computers. As he matured into an extraordinarily tall, thin man with a hugely wide smile, he became a computer consultant. However, from early on, he was one of the few in his generation who noticed—with concern—that the young people growing up in the favelas on the hills overlooking his middle-class neighborhood had no access to this digital world.

Because he has the great entrepreneur’s tenacity of observation and thought as well as action, he decided he had to take on the digital divide—well before the phrase came into currency—and he has been pursuing this vision relentlessly ever since. While beginning to work toward this dream as a teenager, he learned just how motivated and capable of learning the young people in the favelas were. And also how competent the favela community was in organizing. This respect underlies the central insight that has allowed Rodrigo to have a growing multi-continental impact.

Rodrigo provides only what the community cannot: typically computers, software, and training. The community does the organizing, finding space, recruiting the students and faculty, and providing ongoing administration. The result is a uniquely economical model, and also one where, because the investment strengthens the broader community, it is self-sustaining and a foundation for other initiatives long into the future.

Rodrigo’s chain of hundreds of community-based computer training schools now serves hundreds of slums across Latin America and Asia. These schools now have 700,000 graduates.

I got a sense of Rodrigo’s power when he came to Washington shortly after being elected an Ashoka Fellow. Somehow he convinced the Inter-American Development Bank to give him its used (but highly valuable) computers. Somehow he convinced
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the Brazilian Air Force first to warehouse and then to fly these computers home. And then he somehow managed to persuade the Brazilian customs authority to allow all these computers in at a time when Brazil was trying to block computer imports.

Several years later, I got a further sense of how his mind worked, when I asked him why he was starting his work in Asia in Japan. Japan, he said, was the only large Asian source of computers where he could imagine getting people to give them to him. Therefore, as his first step, he had to demonstrate the value of his program to the Japanese in several of their own slums.

That is how entrepreneurs work. Having decided that the world must change in some important way, they simply find and build highways that lead inexorably to that result. Where others see barriers, they delight in finding solutions and in turning them into society’s new and concrete patterns.

That much is easy to observe. However, there is more to it. Somehow, an unknown, young, lanky Rodrigo, the head of a new and unknown citizen organization, persuaded the managers of one after another of society’s big institutions to do things they never would have imagined. He knew they were the right and logical things to do. Somehow they sensed that inner confidence and found it surprisingly persuasive.

What were they sensing? Rodrigo’s words and arguments no doubt helped, but few people are willing to step out beyond the safely conventional merely on the basis of good arguments.

Rodrigo was persuasive because his listeners sensed something deeper.

What Rodrigo was proposing was not just an idea, but the central logic of his life—as it is for every great entrepreneur. He mastered and came to love the new digital world from the time he was a young boy. More important, his values from early on drove him to care about the poverty and inequality he could see on the hillsides rising behind the middle-class Rio in which he was growing up. His values and his temperament had him taking on the digital divide before the term was invented.

As a result, when Rodrigo sat across the table from the much older, powerful officials he needed to move, they were confronting
not just a good idea, but deeply rooted and life-defining values: non-egoistic, kindly determination and commitment.

This values-based faith is the ultimate power of the first-class entrepreneur. It is a quality others sense and trust, whether or not they really fully grasp the idea intellectually. Even though they would not normally want to step out in front of the crowd, a quiet voice tells them to trust Rodrigo and go with his vision.

Any assessment of Rodrigo’s impact that stopped with his idea, let alone his business plan, would not have penetrated to the core of his power. Our field has been impoverished by too many assessments that never get to the essence.

Nor is Rodrigo’s most important impact his schools or the life-changing independence and mastery he provides his students. Consider the impact Rodrigo has on a community when he introduces his program. It is not a school created by the government or outsiders. It is a school created by, funded by, managed by, and staffed by people in the community. The students are responsible for learning and then making their way. Think how many patterns and stereotypes are crumpled by these simple and very obvious facts. The psychological impact is a bit like India emerging from 50 years of falling behind to suddenly being recognized as the new challenger at the cutting edge of the most advanced part of the world’s economy.

Accompanying this disruption of old patterns of action and perception is another contribution, and I believe it is the greatest one of Rodrigo and every entrepreneur: the idea of catalyzing new local changemakers into being. Unless the entrepreneur can get someone in one community after another to step forward and seize his or her idea, the entrepreneur will never achieve the spread that is essential to his or her life success. Consequently,
the entrepreneur presents his or her idea to the local community in the most enticing, safe, understandable, and user-friendly ways possible.

Of course, the entrepreneur’s own life story is in itself a beacon encouraging hundreds of others to care and to take initiative. This also increases the number of local changemakers.

Moreover, when these local champions then build the teams they need to launch the idea they have adopted, they are providing not only encouragement but also training to potential next-generation local changemakers.

As the field of social entrepreneurship has grown and multiplied and wired itself together across the globe over the last 25 years, the rate of this plowing and seeding at the local level has accelerated dramatically. Ten years ago, the probability of an idea from Bangladesh affecting a community in Brazil, Poland, or the U.S. was very limited. Now it is common (the best-known example being Muhammad Yunus’s impact on the global spread of microcredit) and becoming more common every year.

As the number of leading pattern-changing social entrepreneurs has been increasing everywhere, and as the geographic reach of their ideas has been expanding ever more rapidly, the rate of plowing and seeding therefore has multiplied. As have the number of local changemakers.

This whole process is enormously contagious. As the number of large-scale entrepreneurs and local changemakers multiplies, so does the number of support institutions, all of these make the next generation of entrepreneuring and changemaking easier. Not only do people not resist, but in fact,
they respond readily to this change. Who wants to be an object when they could be changemakers, when they could live lives far more creative and contributory and therefore respected and valued?

As important as Rodrigo’s impact is on the digital divide and on the lives and communities he serves, I believe this second dimension of his impact is far more important—especially at this transitional moment in history.

The most important contribution any of us can make now is not to solve any particular problem, no matter how urgent energy or environment or financial regulation is. What we must do now is increase the proportion of humans who know that they can cause change. And who, like smart white blood cells coursing through society, will stop with pleasure whenever they see that something is stuck or that an opportunity is ripe to be seized. Multiplying society’s capacity to adapt and change intelligently and constructively and building the necessary underlying collaborative architecture, is the world’s most critical opportunity now. Pattern-changing leading social entrepreneurs are the most critical single factor in catalyzing and engineering this transformation.¹

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The agricultural revolution produced only a small surplus, so only a small elite could move into the towns to create culture and conscious history. This pattern has persisted ever since: only a few have held the monopoly on initiative because they alone have had the social tools.

That is one reason that per capita income in the West remained flat from the fall of the Roman Empire until about 1700.

By 1700, however, a new, more open architecture was beginning to develop in northern Europe: entrepreneurial/competitive business facilitated by more tolerant, open politics. The new business model rewarded people who would step up with better ideas and implement them, igniting a relentlessly expanding cycle of entrepreneurial innovation leading to productivity gains, leading to ever more entrepreneurs, successful innovation, and productivity gains.

One result: the West broke out from 1,200 years of stagnation
and soon soared past anything the world had seen before. Average per capita income rose 20 percent in the 1700s, 200 percent in the 1800s, and 740 percent in the last century.²

The press reported the wars and other follies, but for the last 300 years this profound innovation in how humans organize themselves has been the defining, decisive historical force at work.

However, until 1980, this transformation bypassed the social half of the world’s operations.³ Society taxed the new wealth created by business to pay for its roads and canals, schools and welfare systems. There was no need to change. Moreover, no monopoly, public or private, welcomes competition because it is very likely to lose. Thus, the social sector had little felt need to change and a paymaster that actively discouraged it.

Hence, the squalor of the social sector. Relative performance declining at an accelerating rate. And consequent low repute, dismal pay, and poor self-esteem and élan.

By the nineteenth century, a few modern social entrepreneurs began to appear. The anti-slavery leagues and Florence Nightingale are outstanding examples. But they remained islands.

It was only around 1980 that the ice began to crack and the social arena as a whole made the structural leap to this new entrepreneurial competitive architecture.⁴

However, once the ice broke, catch-up change came in a rush. And it did so pretty much all across the world, the chief exceptions being areas where governments were afraid.

Because it has the advantage of not having to be the pioneer, but rather of following business, this second great transformation has been able steadily to compound productivity growth at a very fast rate. In this it resembles successful developing countries like Thailand.

Ashoka’s best estimate is that the citizen sector is halving the gap between its productivity level and that of business every 10 to 12 years.

This rapidly rising productivity means that the cost of the goods and services produced by the citizen sector is falling relative to those produced by business—reversing the pricing pattern of the last centuries that led to the much-criticized “consumer” culture.
As a result, as resources flow into the citizen sector, it is growing explosively. It is generating jobs two and a half to three times as fast as business. There are now millions of modern, competing citizen groups, including big, sophisticated second-generation organizations, in each of the four main areas where the field has emerged most vigorously: Brazil-focused South America, Mexico/U.S./Canada, Europe, and South and Southeast Asia. (The field is also growing vigorously in Africa, the Middle East, East Asia, and Australia/New Zealand, but these are much smaller clusters.) All this, of course, has dramatically altered the field’s élan and attractiveness. This is where the job growth is, not to mention the most challenging, value-rooted, and increasingly even well-paid jobs. Just listen to today’s “business” school students.

Given the results-based power of this transformation of the citizen sector, more and more local changemakers are emerging. Some of these learn and later expand the pool of leading social entrepreneurs. To the degree they succeed locally, they give wings to the entrepreneur whose idea they have taken up, they encourage neighbors also to become changemakers, and they cumulatively build the institutions and attitudes that make local changemaking progressively easier and more respected. All of which eases the tasks facing the next generation of primary pattern-change entrepreneurs.

This virtuous cycle catalyzed by leading social entrepreneurs and local changemakers is the chief engine now moving the world toward an “everyone a changemaker” future.

No matter how powerful this dynamic is, however,
several other changes are necessary if society is to navigate this transition successfully:

- Most important, society cannot significantly increase the proportion of adults who are, and know they are, changemakers and who have mastered the necessary and complex underlying social skills until it changes the way all young people live.
- Although it is normal for support areas like finance to lag behind change in the operating areas they serve, the emergent citizen sector is now at significant risk unless it can quickly engineer major structural changes in both its institutional finance sector and the broad grassroots sources of support in its post-breakeven zone.

**TRANSFORMING THE YOUTH YEARS**

There are well over 400 Ashoka leading social entrepreneurs whose primary goal is getting society to do a far better job of helping all children and young people to learn and grow up successfully. Each has a powerful, proven, society-wide approach. (Between 49 percent and 60 percent of those elected by Ashoka have changed national policy within five years of their startup-stage election.)

However, each of these approaches is a partial answer. It is built around one insight or principle, works through one delivery system, and addresses one or two client groups. Ashoka’s “mosaic” process brings all these powerful elements together, draws out the few universal principles that open major new strategic opportunities for the key decision makers in a field (e.g., in this case, those who run schools and youth programs), and then markets these principles. In effect, these mosaic collaborations promise our community the ability to entrepreneur together, an advance that produces far bigger impact than anything the sum of our solo ventures could achieve.

Roughly two-thirds of these 400-plus youth-focused Ashoka entrepreneurs have learned the same three powerful principles. Because they need human resources to implement their vision and cannot realistically get more teachers, they turn to young people. That young people are a huge, and in fact usually the only significant available human resource is the first insight. The other two follow logically: first, the unconventional
assumption that young people are or can be competent; and second, the idea that one must transform youth communities (e.g., in schools) so that they become competent at initiating and organizing, and then train and reward their young people in these skills. Applying these three principles in hundreds of different ways and across the globe produces strikingly similar and powerful results: motivated students, better academic results, and young people who are experiencing being in charge. And a very different feel to those schools and programs from the moment one walks in.

Whether these social entrepreneurs discovered and developed these principles to solve their staffing problems and/or with broader educational purpose, collectively they have created a most powerful set of tools to transform the youth years. Moreover, the repeated success they have had in large-scale and highly diverse applications of these principles leaves one with enormous confidence in the power and practicability of these principles.

Ashoka’s young people’s mosaic also identified another principle that fits closely with this first cluster: anyone (or any group) who does not master the complex social skill of guiding his or her behavior through applied empathy will be marginalized. Since this is the enormously cruel, destructive state of perhaps 30 percent of the world’s people, helping young people master empathy is proportionately important. One of the best ways of doing so is by encouraging them to build teams to contribute important changes and/or services. If their team is to succeed, they must master teamwork, which in turn rests on applied empathy.

Ashoka began developing its mosaic process and the pioneer young people’s application in 1990. It was, however, only quite recently that Ashoka realized that its ultimate purpose, an “everyone a changemaker” world, is an unreachable fantasy unless the youth years become years of practicing being powerful and acquiring the required underlying skills: applied empathy, teamwork, and leadership. This realization suddenly puts the mosaic’s core principles in a new light: They are as powerful as they are in large part because they are so key to unlocking this historical transition.

If young people do not grow up being powerful, causing change, and practicing these three interlocked underlying skills,
they will reach adulthood with a self-definition that does not include changemaking and a social skill set that largely precludes it. Just as one must develop strong emotional foundations in the first three years of life or suffer for a lifetime, young people must master and practice these social skills and the high art of being powerful in and through society while they are young.

Consider how sophisticated the learned skill of applied empathy is: As we contemplate each action, we must comprehend how it will impact everyone at several removes around us and long into the future—and then guide our behavior accordingly. Our world now requires that skill as the ticket of admission to most simple levels of society. A dependably good person can no longer rely only on rules because they are increasingly in conflict, changing, or have yet to be developed.

Those without this complex skill will be marginalized. Moreover, mastering it is only the first step toward learning teamwork and leadership. Like ballet, these skills require extensive and real practice.

The children of elite families grow up at home and usually in school being expected to take initiative and being rewarded for doing so. This confident ability to master new situations and initiate whatever changes or actions are needed is in essence what defines the elite. Entering adult life with confidence and mastery of empathy/teamwork/leadership skills is what ultimately has given this small group control of the initiative and therefore of power and resources for millennia.

However, the other 97 percent grow up getting very little such experience with taking initiative. Adults control the classroom, work setting, and even sports and extra-curricular activities. And this situation, coupled with society’s attitudes,
drums home the message to this majority: “You’re not competent or perhaps even responsible. Please don’t try to start things; we can do it far better.” Teachers, social workers and others are comfortably in control; and, in fact, most school and other youth cultures are not competent and do not train and support and respect initiative-taking. Instead, the peer group culture, not surprisingly, is resentful and in the worst cultures, quite negative.

Do these inarticulate, frustrated youth cultures bring analogous prior situations to mind? Over the last century, many other groups—including women, African Americans, those with disabilities, even colonial peoples—had to make their way from debilitating stereotypes and little prior practice in taking the initiative to becoming fully accepted, capable contributors. These groups, although very different from one another, had to travel strongly similar human and community transformation paths.

Young people are the last big group to set out on this journey. They are also different; but, in the underlying psychological and organizational transitions ahead, they can learn a great deal from the experience of these other groups.

Building on the history of these earlier movements and also on the accumulated experience of hundreds of leading social entrepreneurs working with young people, Ashoka and many partners have prototyped and are beginning to launch at scale the equivalent of a women’s or older person’s movement for young people.

Although this movement must ultimately change how everyone thinks about and relates to young people, it is young people and their peer communities who will have to change most and who have the most to gain. Therefore, as with all the earlier similar transformations, it is essential that they be central actors—both in actually shifting to the new pattern (because the best learning comes from action) and in championing the change (because people in any class are most likely to hear and trust peers).

This emergent movement will be far bigger than Ashoka, and once it is past the next six to ten intensely entrepreneurial years, it will require extensive operating management that is culturally inappropriate for Ashoka’s “collegial/intrapreneurial”
essence. Ashoka has therefore created an independent but close partner, Youth Venture. Working closely with Ashoka’s young people “mosaic” team, it has the lead in major spread and emerging operating work.

How to launch and build such a movement?

Ashoka, Youth Venture, and their partners are following a strategy that exercises enormously powerful jujitsu-like leverage; leverage that works on four mutually reinforcing levels. They are summarized in Table 1.

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<th>Table 1. The Movement’s Jujitsu: Four Levels of Leverage</th>
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<td><strong>Actions</strong></td>
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<td>In any school, community, or country each year, ½ of 1 percent of the young people have a dream and create a lasting venture.</td>
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<td>Each venture engages a team (typically 3-5 in the core group plus 20 who tutor, coach, broadcast, etc.)</td>
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<td>1% of a school or youth community launches Ventures with on average 25 participants. Over two years: 20% to 25% of the whole institution are engaged, likely “tipping” its youth culture.</td>
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<td>Society questions the current disempowering pattern, builds a women’s/disability movement for young people. Youth Venture participants provide role models and champions. The press joins in.</td>
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Each of these four levels in Table 1 needs the others. But they will not snap into place together or everywhere in society instantly. This makes the job facing the pioneers much harder than
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it will be for their successors; and it requires a phased, several-stage strategy.

The central challenge is getting to the scale where the synergies between these four levels—and across schools, neighborhoods, and regions—kick in and become irreversibly self-multiplying. Ashoka/Youth Venture, recognizing this is the heart of the matter, has been experimenting with a dozen different avenues and is gaining increasing traction. Here are some examples:

- Partnering with national organizations with many chapters (e.g., the Girl Scouts) or broad reach (e.g., Youth Services America).
- Co-venturing with public-spirited corporate partners, including experimenting with engaging staff, local units, and key customers as nominators, Youth Venturer Allies, and local organizers. (Most recently with Staples in Europe and Latin America).
- Communicating the stories of Youth Venturers broadly and encouraging others through media partners (including a growing relationship with MTV in the U.S. and Mexico).
- Using Internet avenues to recruit, help, and network Venturers, Allies, and local Partners.
- Extending Youth Venture’s online “Virtual Venturer” program, which allows young people to become Venturers even in communities without an established organizational presence.
- Replicating the successful United Way model developed in North Central Massachusetts.

After two years, almost all the schools have multiple Youth Venture teams; the area’s community college gives college credit for high school Venture work; and virtually all young people in the area experience multiple Venture models. Four other local United Ways are moving to follow, hopefully followed by many others and also community foundations.

- Partnering with a subject matter segment of the citizen sector (e.g., the environment) to support Youth Venture teams in its field as a means of seeding future leadership.
- Building a network of stand-alone, volunteer-led local Youth Venture organizations akin to the vast majority of Scout, 4-H, and Little League groups (experiments underway in four
metropolitan areas).

- Breaking through with groups of schools, e.g., those served by an Ashoka Fellow or where we can get support from the leaders of a school system. This is more leveraged than working school by school although we welcome individual schools as long as the leadership comes from them.

- Building links to youth communities (e.g., punk rock bands, debate groups) built around a common interest and that cut across institutions and geography.

- Getting to scale locally: Using all avenues in a few medium-sized metropolitan areas or small provinces or states (e.g., New Hampshire).

Although the movement is far up the learning curve, all that means is that the pace of experimenting/learning is accelerating and broadening. It needs many more partners who are excited by this movement-building challenge of accelerating to scale, and who will join in experimenting, adapting, and pushing.

And it needs to communicate its alternative vision for the youth years and ultimately for a rapidly multiplying proportion of the population who have the power to change things.

As the number of young leaders increases and spreads, this job becomes easier and easier, not least because such Venturers usually gain confidence once they see that, in addition to being the founders of a newspaper or a program to help new immigrant youth or a peer-to-peer counseling service, etc., they are pioneers in an historic moment.

**NEEDED: NEW SOCIAL FINANCIAL SERVICES**

Citizen organizations of all types and sizes urgently need a new social financial services system.

Where can two 15-year-old African American girls go when they need $900 seed funding to launch a teen-to-teen late-afternoon confidential telephone hotline? Or a 14-year-old who needs $800 startup and working capital to buy t-shirts to imprint and sell in order to fund an Ecuadorian support group of young people with diabetes? Or a group of boys who need funds to seed
what eventually will became a successful effort to build a municipal skateboard park.8

They cannot go to a foundation or a government agency. They typically cannot even open their own bank account. What if their parents cannot or will not pay? Or if it is important to the young people to do it on their own (so they can do it their way)?

As we have just seen, society’s core interests are in making it easy, not impossible, for young people to take initiative and build ongoing services. But our existing financial services institutions fail us.

This is only one of many such failures of today’s social financial institutions.

Going to the other end of the sophistication scale, consider how the structure of government grant agencies and foundations makes it extremely difficult for either institution to serve leading social entrepreneurs. The people try hard, but the structural barriers are formidable and firmly set. Again, given how central social entrepreneurs are to what is society’s greatest historical opportunity now, this failure is extremely costly.

What leading social entrepreneurs need and what today’s dominant social financial institutions—governments and foundations—can provide conflict point by point:

Social entrepreneurs need social investors who will value new ideas. The most important innovations cut across the disciplinary and organizational boundaries created to solve old problems. Governments are bound by narrow, rigidly and impermeably bounded “stovepipes” defined by legislation and refined ever more narrowly by the organizations and regulations that follow. Foundations are captive to internally formulated “strategies,” their institutional stovepipes, and staffs who typically
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follow specialist lateral career paths. Moreover, a program officer confronting a crosscutting idea will have to learn more, think harder, and consult and share decision-making much more than when facing a familiar idea that neatly fits his or her program. (Can you imagine what would have happened to the digital revolution if its entrepreneurs had to fit similar strategy/stovepipe straightjackets created by Deutsche Bank or Bank of America?)

Social entrepreneurs need and deserve loyalty. Their work is not a job; it is their life. And they are, day by day and year after year, central to the iterative process of creation that is the essence of the value being built. But making and sustaining the commitments that would constitute loyal partnering requires judgment, very-long-term perspective, and true understanding of entrepreneurship—all of which are difficult for large institutions to muster.

Social entrepreneurs need medium- to long-term and often substantial investments. They must test and refine an idea (an inherently unpredictable process), learn how to market it and cause many other institutions to change (also resistant to tight scheduling), and then build an institution and movement. Almost all governments and foundations, guided by their own internal one-year budgeting imperatives, provide one-year funding.

Social entrepreneurs need support in building strong, major institutions; governments and foundations avoid the “overhead” this would entail.

To some degree, it is natural for change in financial and other support services to lag behind a transformation of the operating institutions. There is, however, considerable risk that these financial institutions will not adapt adequately or at all.

Unlike business financial firms, neither governments nor foundations must respond to their clients.

Governments are sensitive to political stimuli, but these synapses often do not come from the clients being served. Development agencies are an extreme case: Their end clients have no leverage; it is the contractors who do. In this case, the resulting misalignment of incentives may be worse than in the typical foundation case, where clients are as a rule no more than supplicants.
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There are further systemic reasons why governments and foundations fail the citizen sector. Their structure keeps them from seeing and often from serving whole classes of potential clients well. Moreover, because they are not subject to competitive discipline, they do a poor job of rewarding high performing citizen groups and closing or merging poorly run ones. Society’s resources are, consequently, allocated poorly. Worse, the citizen sector cannot become as productive as business as long as this undisciplined condition continues.

A notorious example is the dramatic variation in performance between the numerous microcredit institutions in the Chicago area. Some have almost perfect payback rates and low general administration and sales ratios. Others perform dismally. So far, the institutions investing in these funds barely seem to notice.

However, commercial competitive microcredit investment funds could not afford such inattention. A fund that invested in any of the losers would end up with a lower return for its investors and only one or two stars (out of five) on the Morningstar mutual fund rating service.

If the incumbent institutions seem unlikely to transform themselves to provide the types of services a rapidly evolving and increasingly diverse citizen sector now needs so urgently, where can the sector look? To the enormous, highly competitive, client-focused for-profit financial industry. It provides business a kaleidoscopic diversity of services that are minutely fitted to client needs and that change, if anything, faster than the clients.

The first for-profit financial firms that recognize that there is a huge, highly attractive new business waiting to be born here and that open it up will profit handsomely—and make a profound contribution.

There are many factors coming together now that make such a move timely. The citizen sector is now both very large and the fastest growing sector of society. It also has many large, solid institutions.

At the same time, there is huge existing, and more latent, demand for quality social investments, with varying mixes of social and economic return and in different subject matter and geographic areas. There also is huge actual and latent demand
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for engagement in the social sector. People want access to quality personal opportunities ranging from volunteering and internships to full careers for themselves and their families and friends. They also want to spot and land the new business/social opportunities that are now developing. A smart bank will develop a web of products and services that will allow its bankers to serve every investor client’s individual needs with a tailored package of varying mixes of financial, social, and engagement values.

Along with my colleagues in Ashoka’s Business Entry program, I have identified roughly 40 building-block financial and service products that, when combined orchestra-like in varying combinations and with varying pricing, can offer banks and other financial institutions a very large, profitable new business. This business will enable these institutions to bring huge value to a very wide range of clients—from teen beneficiaries of a skipping trust\(^9\) to a high active net worth entrepreneur ready to sell his/her business and redeploy both resources and career.\(^{10}\) The strategy here is to demonstrate just how profitable and attractive this business is to new clients. The immediate work is to develop and refine the building block products in the crucible of the full product-development process and, most critical, to direct client feedback.

This is not about a new product. Or even a number of new products. It is about building a major new business that will link varying types and classes of investors with diverse investee needs.
through equally diverse (and varying over time) channels. At one time the banks did not invest in art or even real estate. Now those areas are integral, and clients expect them.

The transaction costs of government and foundation grant-making, taking into account only the direct (not opportunity) costs to donor and donee, now run 20 to 45 percent, roughly 10 times what is normal for business finance. This difference offers huge scope for financial firms to find efficiencies and capture some of the savings through fees.

Although some components of this new business’s product orchestra will be labor intensive and custom-tailored, it is critical to have a large number of high-volume component products. Large volumes are necessary to drive down per-transaction costs, which is essential for modest or merely wealthy investors and competitively key even for the sophisticated very wealthy.

The now-huge socially responsible investment industry achieved this scale chiefly by investing in subsets of existing financial stocks and bonds that exclude objectionable (e.g., tobacco, arms) securities. The new commercial microcredit funds that have been introduced over the last few years are the first major example of the next step: the for-profit finance industry profitably providing direct investments in citizen-sector work to the broad public. They are able to do so because there are 120 to 150 large, safe, well-established microcredit lenders, with clear, stable track records, in whose securities these funds can invest large sums safely without incurring significant expense (relative to investment) in case-by-case due diligence reviews.

Although this success is enormously encouraging, it is far, far from enough. It illustrates the principle, but it cannot provide either the volume or the choice the huge latent demand needs, let alone what is required to build a substantial business for the industry overall.

Therefore, a critical part of the Ashoka strategy to encourage for-profit finance firms to enter the social financial services business is to catalyze the development of many, very large, reasonably uniform and safe, and therefore securitizable, new classes of social investment. The single most important source of these new investment opportunities flows from our
gracefully named business/social “hybrid value-added chain” (HVAC) work. This work originated in another major “mosaic” collaboration, this one across roughly 400 Ashoka social entrepreneurs whose work is focused on ensuring full economic citizenship to everyone. A good many of those working toward this goal have found powerful leverage in reconnecting business with the newly entrepreneurial/competitive citizen sector through new value added chains involved in design, production, distribution, servicing, and parallel supports including finance. The new, more productive value added chains draw for each step in the chain whatever each side can contribute most effectively and efficiently. However, this work has typically been limited to one product or service in one country; and these early cases were held back by the relative immaturity of the citizen sector organizations at the time.

Ashoka’s HVAC strategy is to get four very different products/services quickly to the point where the customers, businesses, and citizen groups are all benefiting enormously from the new cooperative value-added chains. Once the businesses in an industry see one of their competitors gaining important new markets and making significantly higher profits, they cannot afford not to follow. The same is true for the organizations that compete with the pioneer HVAC citizen groups, once they see how much their competitors are benefiting from large, stable, nonpolitical, new revenues and their new, unique ability to provide valued new services to their clients. This competitive dynamic is key to the jujitsu that allows Ashoka, a small force, to set in motion so large and irreversible an historical change.

Setting this same, huge structural change in motion in four very different industries will make it clear that something far bigger than an industry-specific innovation is at work. The HVAC principle will apply to most, probably all, areas of human endeavor. Once this framework becomes clear and is widely grasped, everyone can begin looking for possible applications to their areas of work.

A key example: many a smart management consultant will make partner by building his/her firm’s HVAC practice. They will seek out such high-yield opportunities, bring them to
potential clients, and then do the required design and institutional adaptation work. Because they will do this work regularly, they will be able to build practices serving managers who do not have this experience. This response is key because it will institutionalize the catalytic work Ashoka now has taken on.

Business schools and business writers will also be key players in helping spread awareness of the HVAC idea and in reporting on and helping to systematize the knowledge underpinning the field as it develops. There is also extensive work for the emerging institutions of the citizen sector to do here.

Sketching the story of one HVAC on which Ashoka is working will help make this change more concrete:

Over most of the planet small farmers do not have access to drip irrigation equipment. It is not profitable for the piping and irrigation firms to serve them. The companies’ costs are too high for the poor rural economy, and the companies do not understand or trust the small farmers or their environment.

In Mexico, a partnership between Amanco (the leading piping company in Latin America), Ashoka, and local citizen groups is now beginning to demonstrate how to close this gap.

Over the last decade, large, competent citizen groups have developed to serve small farmers. Their cost structure is that of the “other Mexico,” that of the poor and of the rural areas. They understand and have the trust of their clients. Moreover, the sector has increasingly mastered relevant skills ranging from large-scale/low-cost organizing to knowing how to help poor people save reliably.

These now large, skilled, economic citizen groups can provide the missing bridge between the company and a huge untapped new market, between the farmers and access to a technology that will provide them with more income, more stable income, water conservation, and environmental benefits.

Everyone benefits enormously.

The farmers earn much more, more securely.

The environment benefits, and the country produces more, more reliably.

The first citizen groups to join are the only source, at least for a while, that can provide these benefits to their farmer
clients. This gives them a huge competitive advantage vis-à-vis both government and other citizen groups. Moreover, they get the same markup that businesses playing similar roles in bigger markets receive—a huge (especially relative to their cost structure) and growing revenue flow that is also independent of governments and foundations.

Amanco will be the first into this market and should settle in long term with a significant share, even recognizing that competitors will follow. The company has established key relationships and is quickly coming up the learning curve to mastering this new market, which is making it harder and harder for others to catch up quickly.

Nonetheless, competition will come. Citizen groups that said no when Ashoka first approached them, fearing the risks (and in some cases feeling uncomfortable partnering with business), are watching and beginning to wonder where they can find such a deal. Business will probably respond even more quickly. In a second HVAC area, slum reconstruction, a major global competitor to the company with which Ashoka began this work decided it had to jump on this new approach four months after the first HVAC collaboration began if it was not to fall behind in accessing this huge new market.

Each of the HVACs creates very large, reasonably uniform financing needs across the globe. These eminently financeable needs in turn become a critical source of the attractive new products needed to fuel the new businesses waiting to be born in the for-profit finance industry.

To the degree these needs come from a business/social marriage, they will be even more attractive to the finance industry and to many clients. This will reduce the price discount that risk-averse investors attach to anything unfamiliar. It also builds in a further acceleration of learning and therefore of productivity growth for both business and citizen sectors.

Learning will accelerate further as the two sides overcome the differences in style, language, and clothing, and the mutually suspicious stereotypes that developed over the last several centuries of deepening division. The people on both sides will bridge these gaps, not because doing so is socially nice, but because it is essential
Everyone a Changemaker

for their respective core interests: business wants these markets, and the citizen groups want to deliver these goods to their clients and gain financial and political independence.

The HVAC delivering drip irrigation to smaller farmers generates two sound lending opportunities:

The large, stable, competent citizen groups providing the bridge between company and farmers need bridge financing when starting up until they reach breakeven.

Far bigger is the need to help the farmers obtain credit so they can buy this substantial capital asset. Loans to farmers for drip irrigation should be attractive to lenders for two reasons: (1) there is security and (2) the farmers will stop making many other payments long before this one, given how central this equipment is to their economics. Once the mechanisms are developed, such loans could quickly become a gigantic financial product class given that capital equipment and many millions of modest farms are involved.

The same pattern holds true for the urban slum reconstruction HVAC, where Ashoka's work is also far advanced. Similar logic but somewhat different specifics will produce yet more financing opportunities in one HVAC after another. Each requires extensive financial engineering and then marketing; but the cumulative effect, especially as the competitive jujitsu in each area kicks over, will be a tsunami of large-volume, low-unit transaction cost, profitable for everyone, and offering new investment opportunities.

Getting the for-profit finance industry to enter the social financial services field is entirely critical if the citizen sector is to obtain the inventive, adaptive, responsive, and efficient institutional services it so urgently needs. Investor demand does not create the bottleneck. The chief obstacles are: first,
inadequate flows of high volume, diverse, attractive investment opportunities; second and simply, insufficient imagination to see so large a strategic opportunity.

If anything, the need for profound change is even greater when it comes to how the citizen sector supports itself once groups pass beyond the early years when institutional finance is key.

Citizen groups, very much like businesses, have a three-stage life cycle. They start with a self-financing “garage” incubation period. Then they gear up for a time of service and product testing and refining and also of institutional formation that often requires significant institutional investment. Eventually they move onto a “post-breakeven” mature phase, where citizen base or grassroots resources coming in must at least equal expenditures. Outside the U.S. and a handful of other countries, this citizen base is entirely inadequate.

This inadequacy poses a profound strategic risk to both individual groups and the citizen sector overall. As we have seen, the sector is now large and growing explosively. Foundations cannot touch this scale of need. Governments, if they were not increasingly under pressure to retrench, could provide the needed resources. In many cases they would like to do so, both to ensure the provision of needed services and to reestablish control over the citizen sector. This is, of course, a danger the groups and the sector cannot afford to run. Dependency on government was precisely what caused the sector to fall so far behind business from 1700 to 1980.

The only alternative is to build the sort of broad base of citizen support that underlies every sector of society that does not have the power to tax and that has become secure and steady: business, religion, trade unions, social clubs, even the schools of samba that enable poor neighborhoods in Brazil to prepare and mount Carnival groups every year.

This base has four main components: people’s time, money, information in and out, and captive businesses. The mix that works will vary by field and institution. However, any institution that cannot find a mix that works for it is unlikely to survive long.

The challenge here is not to get Brazilians or Poles to be more generous. They give generously now, but only to groups that ask, and ask intelligently—be they the churches or the schools of samba.
Everyone a Changemaker

The citizen sector is new. In most countries it is just now reaching the stage where there are a significant number of reasonably stable, mature, clearly focused institutions ready to build such broad citizen bases. The challenge, then, is closer to home. It has to jolt the citizen sector itself to grasp that it must and can go out and build this new sustainable, long-term foundation. And, at the same time, to help it learn how.

WHERE WE ARE GOING

The daily news is chronically dispiriting, a reportage of follies that seem to be taking place in a world without a compass.

That is probably so in part because this is a time when deep historical tides are moving with unprecedented speed and force.

The millennia when only a tiny elite could cause change is coming to an end. A generation hence, probably 20 to 30 percent of the world’s people, and later 50 to 70 percent, not just today’s few percent, will be changemakers and entrepreneurs. That world will be fundamentally different and a far safer, happier, more equal, and more successful place.

To get there, we must end the infantalization of young people. They and the rest of us must enable all young people to be fully creative, initiatory, and powerful changemakers.

We must also build the wisest possible financial and other institutions so that, as these young people become adults, the new citizen sector will draw them fully into an “everyone a changemaker” world.

We invite reader comments. Please send an email to <editors@innovationsjournal.net>
1. As Ashoka has come to understand this more clearly, it has clarified its ultimate goal. Challenged several years ago by eBay's Pierre Omidyar, Ashoka came to understand, given its understanding of these historical forces it came into being to serve, that its ultimate goal is an “everyone a changemaker” world. Before that, it had talked chiefly in terms of the intermediate goal of building an entrepreneurial/competitive citizen sector.


3. The “social” or “citizen” half of the world’s operations includes education (students, faculty, organizations), health, environment, emergency relief, rural and slum development, human rights of all sorts, and all the other areas of human and environmental needs—except when these needs are served by the business other half. Eventually the distinction will fade as the accidental division created over the last three centuries of rapid business productivity growth and social-sector stasis erodes. Ashoka and a growing number of other citizen sector organizations ask that everyone stop defining us as not government (NGO) and not business (“nonprofit”), respectively, the European and American first reactions to our newly emerging sector. It does not make sense to define half of society by what it is not. We suggest the use of “citizen sector” and “citizen organization” instead. One or more citizens caring and organizing to provide a service or spark a change are the active ingredients. And, as this paper articulates, our most important impact is our “everyone a changemaker”—aka citizen—role.

4. Ashoka was conceived in the 1960s to serve this historic transformation, but it only began work in 1980 when it perceived that the time was ripe.

5. Canadian Ashoka Fellow, Mary Gordon, and her Roots of Empathy program, is one example of the innovation building in this area. See Mary Gordon, *Roots of Empathy: Changing the World Child by Child* (Thomas Allen Publishers, 2005).

6. These partners in the U.S., for example, range from the Girl Scouts to Staples, from MTV to a growing number of local United Ways and schools.

7. Youth Venture’s experience in the U.S.

8. These are typical of the sort of venture Youth Venture has found among teens in the U.S.

9. A skipping trust gives income from capital for a generation, but not the capital. Skipping a generation, the principal is distributed to the grandchildren of the person who created the trust.

10. Ashoka is engaging with partner institutions to pioneer/demonstrate this new business. As this product and business development work proceeds and partners agree, it will report on these developments at <www.ashoka.org>.

In the for-profit capital market, companies spend between $2 and $4 raising capital (e.g., legal, marketing, and administrative expenses) for every $100 they raise. In the social capital market, however, nonprofits spend between $10 and $24 for every $100 they earn through fundraising (e.g., obtaining donor lists, sending direct mail, or making phone calls). Nonprofit chief executives, meanwhile, spent between 30 and 60 percent of their time pursuing donations with such ‘soft costs’ unevenly accounted for in fundraising costs. Foundations and government grantors, meanwhile, spend about $12 to $19 on administration (including general overhead and reviewing grant applications) for every $100 they allocate. Federated givers, those intermediary organizations such as the United Way and Jewish Community Federation that collect individual donations and then allocate dollars to charities, spend approximately $13 million for every $100 to cover their expenses. That means that in the social capital market, the cost of raising capital consumes roughly 22 to 43 percent of the funds raised, a dreadfully inefficient process.”

12. Ashoka is also pursuing several other, complementary strategies. One is its new Social Investing Venture (SIV) program. The SIV program seeks out leading entrepreneurs anywhere in the world who are championing major structural change in social finance. It helps them get started and succeed and will work to enable them to share and collaborate with one another, with leading operating social entrepreneurs, and with thought leaders in the social investment field.

13. Ashoka’s Citizen Base Initiative is pursuing three specific strategies to help tip the citizen sector’s perception and behavior. See <http://www.citizenbase.org>.

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Bill Drayton
Chair & CEO
Ashoka: Innovators for the Public

Bill Drayton is a social entrepreneur. As a student, he was active in civil rights and founded a number of organizations, ranging from Yale Legislative Services to Harvard’s Ashoka Table, an interdisciplinary weekly forum in the social sciences. He graduated from Harvard with highest honors and went on to study at Balliol College in Oxford University, where he attained his M.A. with First Class Honors.

He is also a 1970 graduate of Yale Law School and has been a professor at both Stanford Law School and Harvard’s Kennedy School of Government. In 1970 he began his career at McKinsey and Company in New York. From 1977 to 1981, Mr. Drayton served in the Carter Administration as Assistant Administrator at the U.S. Environmental Protection Agency where he launched emissions trading (the basis of Kyoto) among other reforms.

After his term at the EPA ended in 1981, he returned to McKinsey half-time and launched both Ashoka and Save EPA and its successor, Environmental Safety. At McKinsey, he helped the firm develop tax and regulatory design work and then its use of industry strategy (an increasingly useful first step to company strategy). With the support that he received unexpectedly when elected a MacArthur Fellow at the end of 1984, he was able to devote himself full time to Ashoka. Mr. Drayton is currently the Chair and CEO of Ashoka: Innovators for the Public. He is also Chair of Youth Venture, Get America Working!, and Community Greens.

Mr. Drayton has won numerous awards and honors. Most recently in 2005, he was selected one of America’s Best Leaders by US News & World Report and Harvard’s Center for Public Leadership. In the same month he was the recipient of the Yale Law School Award of Merit, the school’s highest honor. In 2004, he received the National Wildlife Federation’s Conservation Achievement Award International. Mr. Drayton has also received the Vanguard Award for Contributions and Achievements in Nonprofit Law from the American Bar Association, the Common Cause Public Service Achievement Award, and the National Public Service Award from the National Academy of Public Administration and American Society for Public Administration.
Integrity and Global Leadership

Allen Morrison

ABSTRACT. This paper addresses the role of integrity in global leadership. It reviews the philosophy of ethics and suggests that both contractarianism and pluralism are particularly helpful in understanding ethics from a global leadership perspective. It also reviews the challenges to integrity that come through interactions that are both external and internal to the company. Finally, the paper provides helpful suggestions on how global leaders can define appropriate ethical standards for themselves and their organizations.

KEY WORDS: business ethics, corruption, cross-cultural management, globalization, global leadership

Integrity forms the bedrock of character and is essential in sustainable global leadership. Without integrity, managers will never engender the goodwill and trust of the organization, both essential for effective leadership. While all managers inevitably confront ethical issues, global leaders confront them on a regular basis. Because of the frequency and depth of ethical challenges they face, global leaders need a unique set of competencies in order to maintain their personal integrity and build a consistent set of values for the global organization.

This paper focuses on the role of integrity in global leadership. Global leaders are those who successfully impact the actions and beliefs of others on a worldwide basis. As trade and foreign direct investment have sky-rocketed over the past decade, interest in global leadership has taken center stage. However, while much has been written about the need for more and better global leaders, little has been said about how effective global leaders manage the enormous ethical dilemmas they face as they conduct business across multiple national boundaries.

This paper draws extensively from the ground-breaking research on the competencies of effective global leaders conducted by Black, Morrison and Gregersen (1999). Their research includes interviews with over 130 senior-line and human-resource executives in 50 companies throughout Europe, North America, and Asia, as well as an extensive database that comprises over 100 Fortune 500 companies. From this research, insights are provided on why integrity plays such a critical role in global leadership. Suggestions are also made to assist managers in defining and maintaining high ethical standards in their personal activities and throughout their organizations.

Ethics and philosophy

Philosophers throughout the ages have promoted critical thinking on ethics. Most of this thinking has focused on three major perspectives of ethics (Brandt, 1979; Hare, 1981). As described in Goodpaster (1982), each of these three perspectives provides a different way of evaluating ethics and may be helpful to managers as they establish ethical standards.

Utilitarianism has become a popular tool in modern times for evaluating normative ethics. It is based on a foundation belief in “maximizing
net expectable utility . . . for all parties affected by a decision or action” (Goodpaster, 1982, p. 5). Expectable utility is a measure of overall welfare for the participants. Under utilitarianism, the costs and benefits of possible business outcomes are weighed and decisions are formed with the interests of all participants at heart. Under this perspective, global leaders demonstrate integrity when expectable utility is maximized.

Contractarianism is the belief that normative ethics are determined by overall fairness. Fairness occurs when all participants are accorded equal respect and deference. As a result, ethical decision making recognizes individual rights: the rights of employees to be treated fairly, the rights of consumers to safe and effective products, and so on. Under contractarianism, global leaders demonstrate integrity when they reduce or eliminate actions that infringe on the rights of interest groups.

Pluralism is the third major perspective of ethics. It is based on the assumed duty of individuals to act morally. According to Goodpaster (1992, pp. 5–6), “the pluralist focuses on the rightness or wrongness of actions as moral qualities that are distinct from extrinsic concerns such as consequences or rights. Fidelity and honesty are obligations not because they lead to more welfare or because others have a right to expect them, they are just basic duties.” Under this perspective, global leaders demonstrate integrity when they show moral common sense that is independent of extrinsic pressures.

Each of these perspectives contributes enormously to our understanding of ethics and by extension, integrity. However, in the context of global leadership, not all are equally valuable. A major problem with utilitarianism is in assessing welfare maximization. In a global context, measuring net contributions to social welfare is essentially impossible. Take the issue of compensation, for example. Assume that a company has two managers: Manager A is based in a developed country and makes $200 000 per year; Manager B works in a developing country and makes just $2000 per year. If the objective is the maximization of social welfare, the ethical decision would be to give all pay raises to Manager B because Manager B’s happiness will be increased more by a $1000 pay raise. In fact, to accelerate the leveling of compensation, the company would actually make draconian cuts to Manager A’s salary. If utilitarianism is pursued to its logical end, employee compensation would ultimately be equalized worldwide and customers would pay identical prices, irrespective of local market conditions. While the company’s internal compensation system would be globally equalized, within country compensation would be completely out of line with national norms.

While contractarianism and pluralism also have problems, they are more robust in a global context. While contractarianism recognizes rights, it is difficult to come to an agreement on whose rights to embrace when national borders are crossed and legal jurisdictions are straddled. Similarly, duty, as addressed by pluralism, can also be context-dependent. Moral integrity is difficult to define in a world in which duty to others is often valued very differently depending on which country you are from.

Global leaders ultimately have the responsibility of defining many aspects of ethical behavior for themselves and the broader organization, including subordinates. Under a contractarian perspective, global leaders recognize and effectively define company-specific rights that transcend national legal rights. While these rights extend to all stakeholders, they are typically limited to a narrow set of issues consistent with broader company strategy. Similarly, under a pluralistic perspective, global leaders embrace moral absolutes in their dealings with others. These absolutes are independent of country norms and in many cases are higher than current country norms of conduct.

Drawing on both contractarian and pluralistic perspectives of ethics, integrity is defined herein as having and demonstrating a strong commitment to personal morals and company standards. This definition reflects the need for both absolute standards (personal morals) that are independent of company context, and relative standards (company policies and norms). In practical terms it means that employees are bound by company standards only when these standards exceed their own personal standards. When personal standards
are higher than company standards, the employee is able to act as a leader in changing company policies and norms around ethical issues. The definition is also broad enough to accommodate company standards that are ethically neutral. Take a simple example. If a company has a standard for customer service, employees who refuse to commit to this standard – either by publicly criticizing the standard or by acting in ways that undermine the standard – demonstrate a serious lack of integrity.

For global leaders, integrity is demonstrated at two levels: interactions that are external to the company and interactions that are internal to it. External interactions include those activities through which the company is represented to the outside world. They can involve negotiations with suppliers or customers, interactions with government officials, relationships with competitors, and so on. Internal interactions are those that involve individuals or groups within the company.

**Integrity in external interactions**

Demonstrating integrity in relationships outside the firm pose particularly difficult challenges in a global context. Some help is provided to U.S. companies by the provisions of the Foreign Corrupt Practices Act (FCPA). The FCPA prohibits U.S. companies from bribing foreign government officials or officers of political parties. While the FCPA does not technically apply to foreign subsidiaries, in practice it does to the degree that policies or money can be traced back to the U.S. parent. In November 1997, the OECD approved a ban on bribery in the group’s 29 member countries. The rules, while in many ways similar to those covered by the FCPA, were extended to include executives at state-owned enterprises as well as members of parliament.

Despite government direction, most managers know that there are abundant gray areas not formally covered by the FCPA or the new OECD regulations. For example, are so-called grease payments ethical, and if so under what circumstances? Also, where does one draw the line between a gift and a bribe? In countries like China and Saudi Arabia, where does the government end and the private sector begin? Further, while the FCPA and OECD regulations apply to agents, their coverage of joint venture partners is subject to interpretation. In the final analysis, most government defined ethical standards have serious limitations.

Demonstrating integrity becomes a huge challenge as the differences increase between dominant behaviors within the national culture (i.e., descriptive ethics) and the leader’s judgments of what behaviors should be, irrespective of culture (i.e., normative ethics) (Goodpaster, 1982). Clearly, managers need to understand the ethical norms in the country and markets where the company operates; not surprisingly, these ethics differ significantly. For example, in one noteworthy case in April 1996, Malaysia’s trade minister, Rafidah Aziz, told a conference that bribery and other forms of corruption were normal business practices in her country. While the minister’s statement surprised some conference participants, it described fairly well Malaysian business practices. Differences in standards over environmental degradation, employment rights and benefits, product and service quality, and so on, can vary enormously from country to country.

**Possible actions**

When ethical standards are different from the norms of behavior in a particular country, global leaders face three basic choices:

- the leader can avoid doing business in that particular country, or
- the leader can maintain his/her standards and risk placing the company at a competitive disadvantage versus firms that follow the prevailing norms, or
- the leader can change his/her standards and play the game the way the locals do. As Rafidah Aziz explained at the April 1996 conference, “What is corruption to one person, may be the norm for the other.”

Research suggests that this last option, maintaining a checkerboard approach to ethical stan-
standards, is not sustainable in global companies nor should it be advocated by global leaders (Black et al., 1999). As discussed later in the paper, the consequences of a mixed approach to ethics are not only financial, but also impact the work environment for employees including their morale, as well as the company's reputation in the community.

Once ethical boundaries have been crossed, others outside the company may well exploit them. It is not uncommon to find examples of attempted blackmail or other questionable practices based on the mis-adventures of senior managers in countries where local standards were different than those prevalent in the company’s home country. Particularly in emerging countries, many view global leaders and large multinational companies as high profile, deep-pocketed targets. Furthermore, questionable behavior in one country can rarely be contained. In many cases, the entire world eventually finds out. Inappropriate activities in one part of the world can be the leader's or company’s undoing in other parts of the world.

Areas of focus

Because of increasing globalization, leaders must develop – for themselves and their companies – global standards of conduct governing interactions between the company and external interests. Without universal standards that are rigidly enforced, multinational companies risk jeopardizing their reputations in their home countries, and other markets that are important to them. As well, individual leaders risk derailing their careers when they engage in activities that would be unacceptable on a multi-country basis. They may lead in Country A where their conduct is accepted, but will never lead in Country B, or Country C.

What should be included in these standards? Two primary areas of focus were uncovered in our research: (1) standards involving the company’s impact on the ecological environment, and (2) standards involving gifts and gratuities.

Companies impact the environment through essentially everything they do. Whether it is job creation, taxation, knowledge generation, working conditions, pollution or ecological damage, companies leave a significant imprint on the environment. In most cases, short-term benefits can be gained by embracing the lowest ethical standards – or even none at all. For example, if a host company has no laws governing minimum wages, a company can almost always benefit by paying people the lowest possible wage. Similarly, if a country has no standards with regards to pollution control, it is almost always in the company’s best immediate interest to pollute freely. However, short-term benefits often produce disastrous long-term consequences. David Colton, Chief Legal Counsel at Phelps Dodge, one of the world’s largest producers of copper, had this to say about adherence to standards:

Some in our industry might believe there are short-term benefits working in a country with weak environmental standards. However, in the long term, it hurts them. As a general rule, senior government employees in developing countries are smart. They do their homework when negotiating with foreign companies. When a company chooses not to follow standards, the world knows. In this business, reputations are global and last for decades. It is far easier to stay on the high ground than to have to climb back up. From my experience, I strongly believe that if a company is going to be global, it has no choice but to adopt consistent global standards of conduct. These standards should be equal to or greater than those set in the country that has the highest standards and not the lowest common denominator.

Adhering to stringent global standards is no doubt costly. In countries that have adopted lower environmental standards than are the norms in OECD nations (typically developing nations), the temptation is to cut corners in order to maintain the subsidiary’s local competitiveness. However, a strong case can be made that local competitiveness may actually be strengthened by adhering to global standards. Aditya Narayan, President of ICI India, explains:

At ICI, standards involving ethics, safety, health, and environment policies are established by headquarters but are adapted to meet national laws. I
can benefit by drawing on these corporate policies and in some case we do far more than required by Indian laws. For example, our safety and health standards exceed Indian national standards. In these matters we follow the ICI corporate standards even though headquarters would allow us to follow lower Indian standards. We do this because MNCs here are expected to operate at higher standards. Even though it costs us extra money, our P/E multiple is higher in India because we are a MNC subsidiary. The market here takes our “foreignness” into account and gives us a much higher P/E multiple than local firms. If we acted like a local firm in terms of our standards, we wouldn’t be treated the same way. So it is a win-win situation.

An interesting question arises as to a company’s moral responsibility to deal with problems that are not of its making. The two most common scenarios involve (1) taking over facilities that are later found to be in non-compliance with the company’s global environmental standards, and (2) dealing with suppliers whose non-compliance or negligence creates problems for the company. An example of the first scenario is the takeover by a Western firm of an industrial plant in a former East Block country that is later found to be the source of industrial pollution. Companies like Rubbermaid avoid these problems through a painstaking due-diligence process that essentially eliminates contingent liability problems. In cases where true surprises occur, Rubbermaid’s standard contracts hold the vendor liable for environmental problems that are discovered a full five years after the purchase is complete. In many cases, vendors are required to put sufficient money into trust funds to cover potential future liabilities. An example of the second scenario is Coca-Cola’s June, 1999 crisis in Belgium. Several dozen Belgian schoolchildren got nauseated drinking “tainted” Coca-Cola and Belgian officials (and later some French officials) pulled Coke products from grocery store shelves. Coke traced the problem to cans contaminated on the outside by chemicals found on wood-shipping pallets and on defective carbon dioxide used in making soft drinks. While both problems involved outside vendors, Coca-Cola was severely criticized for not quickly assuming public responsibility for the contaminated soft drinks. By acting slowly, Coca-Cola was portrayed in the media as uncaring and exploitative of European consumers. Irrespective of culpability, public perceptions of ethical behavior have to be carefully considered in determining behavior.

Many managers are also confronted with decisions involving the giving and receiving of gifts and gratuities. Because of the possibility that gifts might unduly influence company policy, many companies have adopted stringent global policies on gifts and gratuities. In response to a series of abuses or allegations of abuses, including the 1995 allegation that several managers at GM’s Adam Opel unit were involved in a kick-back scheme (Stern and Lublin, 1996), General Motors announced a comprehensive gifts and gratuities policy in June 1996. The policy essentially forbids GM employees from either giving or receiving gifts beyond the most nominal of trinkets. Wal-Mart Stores Inc. has an even tougher policy that bars employees from accepting anything with a monetary value.

In some cases, well thought out standards involving interactions with the external environment render the company non-competitive. Failure to provide the right “gifts” may destroy the company’s chances of succeeding in a country; similarly, refusal to “follow the leader” and pollute freely or run sweat-shop factories can negatively impact the company’s cost competitiveness. In these cases, it is the essence of integrity to walk away from a country as an investment platform.

Supporting company strategies

In addition to embracing global environmental standards and global gifts and gratuities policies, global leaders also publicly support their company’s global competitive strategies around the world. They understand that global strategies that build on and exploit their company’s reputation for product quality, customer service, or leading edge technology should not be changed from country to country. They view their role as one of articulating what the company does and does not do, and acting as both a preacher and teacher in getting the message out.
Managers who deliberately misrepresent or undermine the company’s strategy discredit themselves and limit their ability to lead. And yet, the more companies push into global markets, the greater the pressure on managers to alter their company’s core strategies. Case in point: KFC in China. Tony Wang, Vice President of KFC for Southeast Asia in the late 1980s, faced huge pressure from his Chinese partners to lower corporate standards for quality, service, and cleanliness (QSC). They did this because of their perception that Chinese customer placed less emphasis on QSC than did Americans. Yet Wang also understood that KFC’s worldwide profitability was based in large part on its ability to attract new franchisees around the world. Franchise fees and the appeal of the KFC brand were dependent on the company’s ability to maintain high QSC standards worldwide. The question for Wang was whether he should unofficially loosen up on KFC’s global QSC standards to maximize short term profits in China. For Wang, the decision had business as well as ethical dimensions. In the end, Wang did not back down on QSC standards and the restaurant was a booming success.

Most leaders are also followers and must support company policies and management. The failure to do so creates huge leadership problems for the manager. Kelley (1988, p. 144) describes the fine line between leading and following: “Many effective followers see leaders merely as co-adventurers on a worthy crusade, and if they suspect their leader of flagging commitment or conflicting motives they may just withdraw their support, either by changing jobs or by contriving to change leaders.” The irony of integrity is that it forces leaders to balance their obligation to support company strategies with what are in some cases private reservations about the appropriateness of the same strategies.

In the final analysis, companies and leaders have a real impact on the standards others adopt. When companies adhere to the highest ethical standards across borders, they push local companies to lift standards and in so doing, bring benefits to the lives of many people beyond their immediate sphere of influence. Similarly, when individual leaders embrace the highest ethical standards, they often introduce other local leaders to practices that benefit the overall business environment and improve the quality of lives for many (McCoy, 1983).

Integrity in internal interactions

Integrity is also tested in interactions that are strictly internal to the company. Because the ethical or unethical behaviors are internal, people external to the company may or may not be aware of what is going on. As a consequence, global leaders may have less pressure to act ethically or to create an internal environment that promotes ethical behavior than they would for interactions that are externally visible.

As a company’s operations cross multiple national boundaries and numerous ethical norms, the possibility for ethical conflicts inside the organization mounts. National culture can have a substantial impact on how local managers are expected to interact with their employees. These differences in national culture present obstacles in creating global norms of conduct for the entire organization. The literature is replete with examples of how culture impacts values. One study showed that men in Hong Kong and Taiwan were more likely than men in Canada and Japan to discriminate against women. The same study found that Canadians were less likely to show concern for the employment security of their employees than managers in Hong Kong and Taiwan were (Nyaw and Ng, 1994). In contrast, Lee (1982) found no cultural differences in ethical standards of British versus Chinese managers working in Hong Kong. In yet another study, older managers in the U.S., Japan, Korea, India, and Australia were shown to value trust more than their younger counterparts (England, 1978). One relatively straight-forward conclusion from the literature is that ethical norms governing relationships between managers and employees differ significantly around the world.
Employee rights

Despite often broad national differences, effective global leaders establish essentially what amount to rights for employees throughout the worldwide organization. They do this with the full recognition that national norms often differ and act with a sense of duty to all employees. The objectives are to embed employee rights in the organizational culture and to create behavioral norms that govern the behavior of all employees. While the literature on employee rights generally focuses on specific issues (for example, the impact of gender on compensation, Faichnie, 1998), several themes are evident (Donaldson, 1985; Kohls and Buller, 1994). The most common include:

- worker safety,
- equality in hiring,
- equality of opportunity for assignments and promotions,
- comparable compensation, and
- freedom of expression.

Global leaders routinely establish employee rights for each of these areas of concern. This is clearly a challenge given the differences in expectations around the world. Example number one: worker safety. Global leaders exhibit integrity when they establish global safety standards for their employees and when they consistently enforce these standards. At ARCO China, for example, all off-shore workers on its drilling platform in the South China Sea must wear safety goggles, even though this standard is not the norm in China. Example number two: comparable compensation. One global leader we studied established global standards that his company would pay 25 percent above the prevailing local industry norms — irrespective of where the company operated in the world. By identifying and applying a consistent global compensation strategy, the global leader is able to maintain his or her integrity across multiple national boundaries.

Personal interactions

At a second level of analysis, managers also have personal interactions with employees on a regular basis. These interactions involve expatriates who communicate with foreign employees while overseas, and head office managers who come in contact with foreign employees either through travel or line of control reporting. A wide range of individuals can be involved including subordinates, peers, and superiors. During these interactions, some managers have a tendency to deviate from norms at home in their treatment of people. When significantly different, this treatment is invariably perceived as discriminatory.

Some people have a difficult time treating people consistently and approach interpersonal relations on an ad-hoc basis. When they travel overseas, particularly in developing countries, they may take liberties with employees that would not be tolerated at home. Some extreme examples include:

- using condescending language or tone when addressing employees,
- making sexual advances on employees,
- demanding favors of employees, such as the running of personal errands, and
- yelling, berating, or physically abusing employees.

While all these behaviors can and do happen at home, the perceived power difference between headquarters managers and developing country employees can be substantially larger making abuse all the easier. In other cases, misperceptions of local norms by headquarters managers may lead these managers to think that their behaviors are expected and quite appropriate in the foreign country when clearly they are not.

The inconsistent treatment of employees across countries causes managers to lose respect within their organization and jeopardizes their ability to lead. In one case, a successful manager in one large developing country was being considered for a major promotion at regional headquarters. The individual ran the company's largest factory outside the U.S. and was credited with three years of uninterrupted productivity improvements. When the manager was brought to the
regional headquarters for interviews, he performed weakly on several company administered stress tests. This prompted further investigation and finally direct interviews with employees. These interviews turned up horror stories of abusive treatment including bullying and physical abuse. The manager had succeeded (in the short term at least) by using methods that could never be tolerated outside his home country. What kept employees working was their ultimate fear of unemployment that averaged over 30 percent in the country. The manager was soon replaced. Productivity fell and the subsidiary’s profitability dipped. But, lower profits paled in comparison to the possible negative consequences if the manager’s (and by extension, the company’s) practices had become public in the U.S.

Invariably, offensive behavior carried out in one part of the world is rapidly communicated throughout the organization – either formally or informally. Reputations are established that are hard to change. To avoid conflicts and the giving of offense, effective global leaders commit to high personal standards in all their interactions within the organization. Their standards of personal conduct do not vary from country to country. Their personal reputations are based on treating people with the same degree of respect irrespective of where they are in the world.

Integrity engenders trust and is good for business

A leader who does not have a strong commitment to personal morals and company standards lacks integrity and can destroy a company much faster than a leader who promotes a bad strategy (Black et al., 1999). Short term compromises – whether in matters of environment degradation, bribery, shoddy quality, or abusive treatment of others – may bring temporary benefits to the manager and perhaps to the overall business, but invariably bring about huge costs and penalties in the long run. External missteps can undermine relationships with customers, suppliers, and governments, and tarnish the company’s reputation for years to come. When internally-focused, unethical behavior leads to demoralization, conflict, and the loss of managerial and technical resources through resignations. In all cases, unethical behavior jeopardizes the position of the manager. When uncovered, lapses of integrity often lead to dismissal and a tainting of one’s name that bring life-long consequences.

The commitment of global leaders to high personal and company standards not only prevents hazards, but also promotes numerous benefits. It is only through the exercise of integrity that a leader can bring out the most in employees. A good example of this is found in Du Pont in China. In 1997, Du Pont Greater China employed over 1,000 people in 8 different cities in China. Du Pont recognizes the importance of maximizing employee commitment and has worked hard to strengthen the loyalty of its Chinese employees. Beijing-based Sonny Matocha, Managing Director, Operations for Du Pont Greater China provided some unique insights on the role of integrity in leadership.

In China, people do not naturally differentiate between management and leadership. They have a tendency to do what they are told. . . . In the past, they have been told that the managers are the leaders, so management has automatically come to mean leadership. And so they don’t differentiate between the two and do not fully understand the implications of true leadership. This has been compounded by the many instances where their superiors have not kept their commitments. One of the results of this is that the Chinese have come to listen to the words of superiors, but gauge their interpretation and personal behavior based on the manager’s actions. While they do not challenge authority, they are very cynical about it. They tend to do their jobs and nothing more. [We have learned that] if you want to lead in China, your employees must believe in you. They must trust you fully. Once this happens, their productivity, commitment, and creativity go way up. But they must see you as an ethical, trustworthy person, who will not compromise no matter what.

The connection between leadership and trust is clear. The example from Du Pont Greater China suggests that a strong positive relationship between trust and employee contributions.
The duty of global leaders

Most people do not see the moral dilemmas around them (McCoy, 1983). They go about their daily activities either un-perceptive of the ethical conflicts around them or so self-confident in their opinions that the need for moral judgement is foreign. Unlike the majority of people, effective global leaders have a level of individual integrity that surpasses the norms of the organization. The high integrity of global leaders is required to unite the organization across cultures.

Developing and maintaining integrity – both at the personal and organizational level – requires a huge effort on the part of these leaders (Badaracco and Webb, 1995). Effective global leaders maintain their integrity by confronting ethical dilemmas frequently and quickly. Maintaining and demonstrating integrity requires huge effort and ongoing attention. As a result, it is difficult for people to be publicly moral without private commitment. When not backed up with real belief, managers who only consider the public relations aspect of morality end up getting blind-sided by situations that extended beyond their reactive ability.

To promote high ethical standards within the company, global leaders demonstrate three inter-related competencies. First, they are good observers. Second, they ask tough questions. And third, they understand what is core.

Global leaders are good observers

As leadership responsibilities cross cultures, the potential to misunderstand people or be misunderstood increases exponentially. Demonstrating integrity requires the ability to effectively observe and interpret behaviors and practices. By understanding different perspectives, global leaders can better anticipate ethical problems, reduce the possibility of personal mistakes, and move to diminish the risk of organizational compromise.

A starting point for global leaders is their actual fondness of people. Global leaders actually like people (Black et al., 1999). Enjoying people makes it easier for global leaders to get close to them. This proximity is critical for two main reasons. First, it enables the leader to better recognize employees as people and in so doing diminishes the likelihood of patronization or other forms of abuse. And second, proximity encourages employees to open up and discuss ethical issues with their leaders. Trust is absolutely essential for the leader to be proactive in heading off ethical problems in the organization.

Beyond liking people, global leaders actively demonstrate their interest in people. They go out of their way to help people, to build them up, and to show them that they care. Beyond simply spending time with employees, global leaders often take unusual steps to gain access to local employees. One important step some take is learning one or more foreign languages. Not only does this demonstrate good will, the language skills enable the leader to better understand some of the cultural contexts the company is operating in.

In observing people, global leaders focus enormous effort on understanding context. Ethics have a huge contextual component. Without appreciating the background of individuals, their position in the organization, ages, gender, educational experiences, leaders cannot appreciate the context from which others make ethical decisions (Tichy and Devanna, 1986; Puffer, 1990). Understanding the context of ethical issues assists the global leader in formulating company standards and in determining how these standards should be communicated and enforced.

Global leaders ask tough questions

Global leaders work from the assumption that the world is full of ethical traps. However, these ethical traps are not always visible. As a result, global leaders constantly ask tough questions about what is right and wrong, about what behavior is appropriate and what is not. They also invite comment by trusted advisors and internal counsel on the appropriateness of possible actions. By being proactive, global leaders are better able to avoid getting caught up
in behavior that well-grounded people would view as unethical.

Not only do global leaders ask tough questions of themselves, they put strong pressure on their organizations to consistently act in an ethical manner. One common tool to achieve this is an ethics forum (Hollstein, 1998; Navran, 1997). In these forums difficult cases are aired openly, pros and cons of possible actions are discussed, and ethics decisions are made. Global leaders also use in-house education and training programs to inform employees of nonnegotiable policies and to expose them to the importance of ethical behavior. For example, Motorola has created 83 different case studies to train managers in ethical conduct. The cases are presented in selected in-house management programs along with solutions provided by professional ethicists and Chairman Bob Galvin. Finally, global leaders constantly watch their employees for patterns of troubling behavior. In order to protect the careers of valuable employees as well as the reputations of their organizations, global leaders ensure that departments are regularly audited and questions are routinely asked about such things as expenses, bidding practices, and use of company assets.

Giles Branston, General Counsel for General Motors Asia Pacific Organization (APO), is an example of someone who pushes these efforts. He has organized a multi-faceted approach for ensuring that APO employees do not get caught up in unethical activities. First, all APO employees are informed of local laws governing corruption. Second, all employees receive clear guidelines on the company’s standards regarding accepting or making facilitating payments. Third, Branston’s office regularly sponsors workshops on ethics for members of the APO Strategy Board. Finally, a special ethics committee has been established to review difficult cases within the region. Together, these four steps have gone a long way to protecting employees and the organization from engaging in questionable business practices.

Global leaders understand what is core

Most decisions end up being made by the people who are closest to the issues. Because people ultimately make their own choices between right and wrong, global leaders can have only have so much influence. Rather than trying to put their imprint on every decision made in the organization, global leaders determine a core set of standards that become irrevocable – both for themselves and their organization (McCoy, 1983). The importance of having core standards is articulated by Mikell Rigg McGuire, Senior Vice President International, for Franklin-Covey: “You must have in place your own fundamental values, both the company’s and your personal ones; otherwise, you are probably going to let other countries’ values overtake yours.”

Despite the appeal of global standards – whether they involve environmental issues or gifts and gratuities – such policies can severely restrict global competitiveness and in some cases may go too far. In fact, many companies are losing business in many parts of the world because global gifts and gratuities policies have been poorly thought through (King, 1997). Not only are their companies losing business, but they are offending local officials with standards that are not only foreign but reek of arrogance. For example, a manager’s inability to pay for a customer’s dinner or a round of golf is often viewed with disdain in many parts of the world.

Finding the right balance between what is essentially universally regarded as unethical and what should be situational is a huge challenge for global leaders. Figure 1 assists in finding this balance.

A direct relationship exists between what should be a global standard and the extent to which the associated activity is core to a company’s competitiveness. In an extractive business like Phelps Dodge, mining is core to the company’s business. As a result, standards involving environmental degradation must be globally set by the company. In other companies – management consulting, for example – standards involving environmental degradation should be left to the discretion of local managers.

Determining what is core is one of the most difficult tasks global leaders undertake. Three tests are suggested to assist managers in determining what is core.
Figure 1. The relationship between standards and activities.

Test #1: is it strategic?
In determining what is core, the global leader needs to relate the possible standard to the company’s overall strategy. To be successful, many service organizations (for example, investment banking and management consulting) spend lavishly to retain the goodwill of their top front line service providers. In many cases, these employees are paid more than top administrative officers in the corporation. Other service providers (for example, fast food restaurants or discount department stores) treat their top front line performers less well. There may be a pay differential of over 100:1 in these organizations. When the treatment of employees is evaluated within the context of the organization’s strategy, the ethics of using widely divergent standards is rarely a question. In general, if the activities in question directly impact the company’s reputation, they should be considered core.

Test #2: are the standards the highest possible?
For global organizations, ethical standards must be set at the highest levels. Global leaders cannot operate effectively by embracing low standards. This is because the reputations global leaders aspire to – for themselves and their organizations – are global in nature. Even if the standards embraced are the norms in one country, they will ultimately undermine the reputation of the worldwide organization if they are set at a low level. Global standards cannot benefit the organization in the long run if they are not consistently high everywhere.

Test #3: are people being put first?
While integrity is ultimately assessed individually, it invariably impacts people – both positively and negatively. Abusing people, lying, stealing, or damaging the environment are issues primarily because people are affected. Similarly, honesty and decency also impact people. The assumption in putting people first is that all people have inalienable rights and that decisions that are not fair to people undermine an individual’s ability to lead. In the context of business, integrity is demonstrated to people and will ultimately be evaluated by people. If decisions have a significant impact on people, they are almost always ethical decisions.

Conclusions
Integrity plays a critical role in global leadership. It is the lifeblood of authority and essential
in securing the goodwill and best efforts of employees. When operating in a global context, many managers face huge pressures to modify their personal ethics and change their company's standards. While such "flexibility" can often bring short-term benefits, global leaders are most effective when they consistently maintain the highest ethical standards for themselves and their organization.

For global leaders, maintaining integrity is difficult. It requires huge amounts of work provides while at the same time providing few immediate benefits. Without substantial personal commitment, integrity is difficult to maintain. Creating and maintaining a moral environment for a global organization is a never-ending job. In a world that is often uncomfortable passing judgement on anything, global leaders stand out for their resolve and are often under attack. The imposition of values cannot survive beyond the short term. In the final analysis, integrity cannot be forced on others. Because of this, integrity and leadership are inextricably linked.

References


"Letter from a Birmingham Jail [King, Jr.]

16 April 1963
My Dear Fellow Clergymen:
While confined here in the Birmingham city jail, I came across your recent statement calling my present activities "unwise and untimely." Seldom do I pause to answer criticism of my work and ideas. If I sought to answer all the criticisms that cross my desk, my secretaries would have little time for anything other than such correspondence in the course of the day, and I would have no time for constructive work. But since I feel that you are men of genuine good will and that your criticisms are sincerely set forth, I want to try to answer your statement in what I hope will be patient and reasonable terms.

I think I should indicate why I am here in Birmingham, since you have been influenced by the view which argues against "outsiders coming in." I have the honor of serving as president of the Southern Christian Leadership Conference, an organization operating in every southern state, with headquarters in Atlanta, Georgia. We have some eighty five affiliated organizations across the South, and one of them is the Alabama Christian Movement for Human Rights. Frequently we share staff, educational and financial resources with our affiliates. Several months ago the affiliate here in Birmingham asked us to be on call to engage in a nonviolent direct action program if such were deemed necessary. We readily consented, and when the hour came we lived up to our promise. So I, along with several members of my staff, am here because I was invited here. I am here because I have organizational ties here.

But more basically, I am in Birmingham because injustice is here. Just as the prophets of the eighth century B.C. left their villages and carried their "thus saith the Lord" far beyond the boundaries of their home towns, and just as the Apostle Paul left his village of Tarsus and carried the gospel of Jesus Christ to the far corners of the Greco Roman world, so am I compelled to carry the gospel of freedom beyond my own home town. Like Paul, I must constantly respond to the Macedonian call for aid.

Moreover, I am cognizant of the interrelatedness of all communities and states. I cannot sit idly by in Atlanta and not be concerned about what happens in Birmingham. Injustice anywhere is a threat to justice everywhere. We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly, affects all indirectly. Never again can we afford to live with the narrow, provincial "outside agitator" idea. Anyone who lives inside the United States can never be considered an outsider anywhere within its bounds.

You deplore the demonstrations taking place in Birmingham. But your statement, I am sorry to say, fails to express a similar concern for the conditions that brought about the demonstrations. I am sure that none of you would want to rest content with the superficial kind of social analysis that deals merely with effects and does not grapple with underlying causes. It is unfortunate that demonstrations are taking place in Birmingham, but it is even more unfortunate that the city's white power structure left the Negro community with no alternative.

In any nonviolent campaign there are four basic steps: collection of the facts to determine whether injustices exist; negotiation; self purification; and direct action. We have gone through all these steps in Birmingham. There can be no gainsaying the fact that racial injustice engulfs this community. Birmingham is probably the most thoroughly segregated city in the United States. Its ugly record of brutality is widely known. Negroes have experienced grossly unjust treatment in the courts. There have been more unsolved bombings of Negro homes and churches in Birmingham than in any other city in the nation. These are the hard, brutal facts of the case. On the basis of these conditions, Negro leaders sought to negotiate with the city fathers. But the latter consistently refused to engage in good faith negotiation.
Then, last September, came the opportunity to talk with leaders of Birmingham's economic community. In the course of the negotiations, certain promises were made by the merchants—for example, to remove the stores' humiliating racial signs. On the basis of these promises, the Reverend Fred Shuttlesworth and the leaders of the Alabama Christian Movement for Human Rights agreed to a moratorium on all demonstrations. As the weeks and months went by, we realized that we were the victims of a broken promise. A few signs, briefly removed, returned; the others remained. As in so many past experiences, our hopes had been blasted, and the shadow of deep disappointment settled upon us. We had no alternative except to prepare for direct action, whereby we would present our very bodies as a means of laying our case before the conscience of the local and the national community. Mindful of the difficulties involved, we decided to undertake a process of self purification. We began a series of workshops on nonviolence, and we repeatedly asked ourselves: "Are you able to accept blows without retaliating?" "Are you able to endure the ordeal of jail?" We decided to schedule our direct action program for the Easter season, realizing that except for Christmas, this is the main shopping period of the year. Knowing that a strong economic-withdrawal program would be the by product of direct action, we felt that this would be the best time to bring pressure to bear on the merchants for the needed change.

Then it occurred to us that Birmingham's mayoral election was coming up in March, and we speedily decided to postpone action until after election day. When we discovered that the Commissioner of Public Safety, Eugene "Bull" Connor, had piled up enough votes to be in the run off, we decided again to postpone action until the day after the run off so that the demonstrations could not be used to cloud the issues. Like many others, we waited to see Mr. Connor defeated, and to this end we endured postponement after postponement. Having aided in this community need, we felt that our direct action program could be delayed no longer.

You may well ask: "Why direct action? Why sit ins, marches and so forth? Isn't negotiation a better path?" You are quite right in calling for negotiation. Indeed, this is the very purpose of direct action. Nonviolent direct action seeks to create such a crisis and foster such a tension that a community which has constantly refused to negotiate is forced to confront the issue. It seeks so to dramatize the issue that it can no longer be ignored. My citing the creation of tension as part of the work of the nonviolent resister may sound rather shocking. But I must confess that I am not afraid of the word "tension." I have earnestly opposed violent tension, but there is a type of constructive, nonviolent tension which is necessary for growth. Just as Socrates felt that it was necessary to create a tension in the mind so that individuals could rise from the bondage of myths and half truths to the unfettered realm of creative analysis and objective appraisal, so must we see the need for nonviolent gadflies to create the kind of tension in society that will help men rise from the dark depths of prejudice and racism to the majestic heights of understanding and brotherhood. The purpose of our direct action program is to create a situation so crisis packed that it will inevitably open the door to negotiation. I therefore concur with you in your call for negotiation. Too long has our beloved Southland been bogged down in a tragic effort to live in monologue rather than dialogue.

One of the basic points in your statement is that the action that I and my associates have taken in Birmingham is untimely. Some have asked: "Why didn't you give the new city administration time to act?" The only answer that I can give to this query is that the new Birmingham administration must be prodded about as much as the outgoing one, before it will act. We are sadly mistaken if we feel that the election of Albert Boutwell as mayor will bring the millennium to Birmingham. While Mr. Boutwell is a much more gentle person than Mr. Connor, they are both segregationists, dedicated to maintenance of the status quo. I have hope that Mr. Boutwell will be reasonable enough to see the futility of massive resistance to desegregation. But he will not see this without pressure from devotees of civil rights. My friends, I must say to you that we have not made a single gain in civil rights without determined legal and nonviolent pressure. Lamentably, it is an historical fact that privileged groups seldom give up their privileges voluntarily. Individuals may see the moral light and voluntarily give up their unjust posture; but, as Reinhold Niebuhr has reminded us, groups tend to be more immoral than individuals.
We know through painful experience that freedom is never voluntarily given by the oppressor; it must be demanded by the oppressed. Frankly, I have yet to engage in a direct action campaign that was "well timed" in the view of those who have not suffered unduly from the disease of segregation. For years now I have heard the word "Wait!" It rings in the ear of every Negro with piercing familiarity. This "Wait" has almost always meant "Never." We must come to see, with one of our distinguished jurists, that "justice too long delayed is justice denied."

We have waited for more than 340 years for our constitutional and God given rights. The nations of Asia and Africa are moving with jetlike speed toward gaining political independence, but we still creep at horse and buggy pace toward gaining a cup of coffee at a lunch counter. Perhaps it is easy for those who have never felt the stinging darts of segregation to say, "Wait." But when you have seen vicious mobs lynch your mothers and fathers at will and drown your sisters and brothers at whim; when you have seen hate filled policemen curse, kick and even kill your black brothers and sisters; when you see the vast majority of your twenty million Negro brothers smothering in an airtight cage of poverty in the midst of an affluent society; when you suddenly find your tongue twisted and your speech stammering as you seek to explain to your six year old daughter why she can't go to the public amusement park that has just been advertised on television, and see tears welling up in her eyes when she is told that Funtown is closed to colored children, and see ominous clouds of inferiority beginning to form in her little mental sky, and see her beginning to distort her personality by developing an unconscious bitterness toward white people; when you have to concoct an answer for a five year old son who is asking: "Daddy, why do white people treat colored people so mean?"; when you take a cross county drive and find it necessary to sleep night after night in the uncomfortable corners of your automobile because no motel will accept you; when you are humiliated day in and day out by nagging signs reading "white" and "colored"; when your first name becomes "nigger," your middle name becomes "boy" (however old you are) and your last name becomes "John," and your wife and mother are never given the respected title "Mrs."

We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly affects all indirectly. We can no longer be content to sit idly by while the events of extreme violence unfold. In the past we have been hibulated by a well meaning but mediocre peace, or we have tried to address the problem by quick and easy solutions, for we have seen both ends filled with violence. We mustn't be satisfied as long as the Negro is thejaxed pie at the end of the supermarket counter. We must be satisfied as long as a Negro in Mississippi raises his hand for water and gets shot down by a white man's bullet. We can never be satisfied as long as our的政治权力 is still held in an attitude of servility. We must be satisfied as long as a Negro in Memphis is新中国 and the police are still being used as tools of terror. We must be satisfied as long as a Negro in Harlem stands daily at 11th Street and 110th Street and finds he cannot buy a glass of water around which he is all too often the victim of mobs.

We are in a nonviolent revolution. We are not fighting for a civil rights; we are fighting for the guarantee of human rights. We are not satisfied until justice is done.

We are so determined to be satisfied as long as the Negro is the last man to vote, and as long as the Negro is still in the situation where he can't join hands with white people in the pursuit of the American dream. Now then, how can we回首 for a civil rights, without looking ahead and seeing that millions of Negroes are still languishing in the slums of poverty, and that their leaders are still looking out for the comfort in the present and not into the future. We cannot be satisfied as long as a segregated schoolhouse is still a part of the American educational system. We cannot be satisfied as long as a Negro is denied basic human rights in the United States of America. We cannot be satisfied until the Negro is given the right to vote.

Now we are going to talk about some tasks at hand. There is aASI to do now. There is a job to be done now. We must fight for freedom in the United States of America. We must fight for justice in the United States of America. We must fight for peace in the United States of America. We must fight for a world of peace and freedom. And we must fight for a better world, a world of peace and freedom, a world of justice and love...

Now, what is the difference between the two? How does one determine whether a law is just or unjust? A just law is a man made code that squares with the moral law or the law of God. An unjust law is a code that is out of harmony with the moral law. To put it in the terms of St. Thomas Aquinas: An unjust law is a human law that is not rooted in eternal law and natural law. Any law that uplifts human personality is just. Any law that degrades human personality is unjust. All segregation statutes are unjust because segregation distorts the soul and damages the personality. It gives the segregator a false sense of superiority and the segregated a false sense of inferiority. Segregation, to use the terminology of the Jewish philosopher Martin Buber, substitutes an "I it" relationship for an "I thou" relationship and ends up relegating persons to the status of things. Hence segregation is not only politically, economically and sociologically unsound, it is morally wrong and sinful. Paul Tillich has said that sin is separation. Is not segregation an existential expression of man's tragic separation, his awful estrangement, his terrible sinfulness? Thus it is that I can urge men to obey the 1954 decision of the Supreme Court, for it is morally right; and I can urge them to disobey segregation ordinances,
for they are morally wrong.

Let us consider a more concrete example of just and unjust laws. An unjust law is a code that a numerical or power majority group compels a minority group to obey but does not make binding on itself. This is difference made legal. By the same token, a just law is a code that a majority compels a minority to follow and that it is willing to follow itself. This is sameness made legal. Let me give another explanation. A law is unjust if it is inflicted on a minority that, as a result of being denied the right to vote, had no part in enacting or devising the law. Who can say that the legislature of Alabama which set up that state's segregation laws was democratically elected? Throughout Alabama all sorts of devious methods are used to prevent Negroes from becoming registered voters, and there are some counties in which, even though Negroes constitute a majority of the population, not a single Negro is registered. Can any law enacted under such circumstances be considered democratically structured?

Sometimes a law is just on its face and unjust in its application. For instance, I have been arrested on a charge of parading without a permit. Now, there is nothing wrong in having an ordinance which requires a permit for a parade. But such an ordinance becomes unjust when it is used to maintain segregation and to deny citizens the First-Amendment privilege of peaceful assembly and protest.

I hope you are able to see the distinction I am trying to point out. In no sense do I advocate evading or defying the law, as would the rabid segregationist. That would lead to anarchy. One who breaks an unjust law must do so openly, lovingly, and with a willingness to accept the penalty. I submit that an individual who breaks a law that conscience tells him is unjust, and who willingly accepts the penalty of imprisonment in order to arouse the conscience of the community over its injustice, is in reality expressing the highest respect for law.

Of course, there is nothing new about this kind of civil disobedience. It was evidenced sublimely in the refusal of Shadrach, Meshach and Abednego to obey the laws of Nebuchadnezzar, on the ground that a higher moral law was at stake. It was practiced superbly by the early Christians, who were willing to face hungry lions and the excruciating pain of chopping blocks rather than submit to certain unjust laws of the Roman Empire. To a degree, academic freedom is a reality today because Socrates practiced civil disobedience. In our own nation, the Boston Tea Party represented a massive act of civil disobedience.

We should never forget that everything Adolf Hitler did in Germany was "legal" and everything the Hungarian freedom fighters did in Hungary was "illegal." It was "illegal" to aid and comfort a Jew in Hitler's Germany. Even so, I am sure that, had I lived in Germany at the time, I would have aided and comforted my Jewish brothers. If today I lived in a Communist country where certain principles dear to the Christian faith are suppressed, I would openly advocate disobeying that country's antireligious laws.

I must make two honest confessions to you, my Christian and Jewish brothers. First, I must confess that over the past few years I have been gravely disappointed with the white moderate. I have almost reached the regrettable conclusion that the Negro's great stumbling block in his stride toward freedom is not the White Citizen's Councillor or the Ku Klux Klanner, but the white moderate, who is more devoted to "order" than to justice; who prefers a negative peace which is the absence of tension to a positive peace which is the presence of justice; who constantly says: "I agree with you in the goal you seek, but I cannot agree with your methods of direct action"; who paternalistically believes he can set the timetable for another man's freedom; who lives by a mythical concept of time and who constantly advises the Negro to wait for a "more convenient season." Shallow understanding from people of good will is more frustrating than absolute misunderstanding from people of ill will. Lukewarm acceptance is much more bewildering than outright rejection.

I had hoped that the white moderate would understand that law and order exist for the purpose of establishing justice and that when they fail in this purpose they become the dangerously structured dams that block the flow of social progress. I had hoped that the white moderate would understand that the present tension in the
South is a necessary phase of the transition from an obnoxious negative peace, in which the Negro passively accepted his unjust plight, to a substantive and positive peace, in which all men will respect the dignity and worth of human personality. Actually, we who engage in nonviolent direct action are not the creators of tension. We merely bring to the surface the hidden tension that is already alive. We bring it out in the open, where it can be seen and dealt with. Like a boil that can never be cured so long as it is covered up but must be opened with all its ugliness to the natural medicines of air and light, injustice must be exposed, with all the tension its exposure creates, to the light of human conscience and the air of national opinion before it can be cured.

In your statement you assert that our actions, even though peaceful, must be condemned because they precipitate violence. But is this a logical assertion? Isn't this like condemning a robbed man because his possession of money precipitated the evil act of robbery? Isn't this like condemning Socrates because his unswerving commitment to truth and his philosophical inquiries precipitated the act by the misguided populace in which they made him drink hemlock? Isn't this like condemning Jesus because his unique God consciousness and never ceasing devotion to God's will precipitated the evil act of crucifixion? We must come to see that, as the federal courts have consistently affirmed, it is wrong to urge an individual to cease his efforts to gain his basic constitutional rights because the quest may precipitate violence. Society must protect the robbed and punish the robber. I had also hoped that the white moderate would reject the myth concerning time in relation to the struggle for freedom. I have just received a letter from a white brother in Texas. He writes: "All Christians know that the colored people will receive equal rights eventually, but it is possible that you are in too great a religious hurry. It has taken Christianity almost two thousand years to accomplish what it has. The teachings of Christ take time to come to earth." Such an attitude stems from a tragic misconception of time, from the strangely irrational notion that there is something in the very flow of time that will inevitably cure all ills. Actually, time itself is neutral; it can be used either destructively or constructively. More and more I feel that the people of ill will have used time much more effectively than have the people of good will. We will have to repent in this generation not merely for the hateful words and actions of the bad people but for the appalling silence of the good people. Human progress never rolls in on wheels of inevitability; it comes through the tireless efforts of men willing to be co workers with God, and without this hard work, time itself becomes an ally of the forces of social stagnation. We must use time creatively, in the knowledge that the time is always ripe to do right. Now is the time to make real the promise of democracy and transform our pending national elegy into a creative psalm of brotherhood. Now is the time to lift our national policy from the quicksand of racial injustice to the solid rock of human dignity.

You speak of our activity in Birmingham as extreme. At first I was rather disappointed that fellow clergymen would see my nonviolent efforts as those of an extremist. I began thinking about the fact that I stand in the middle of two opposing forces in the Negro community. One is a force of complacency, made up in part of Negroes who, as a result of long years of oppression, are so drained of self respect and a sense of "somebodiness" that they have adjusted to segregation; and in part of a few middle-class Negroes who, because of a degree of academic and economic security and because in some ways they profit by segregation, have become insensitive to the problems of the masses. The other force is one of bitterness and hatred, and it comes perilously close to advocating violence. It is expressed in the various black nationalist groups that are springing up across the nation, the largest and best known being Elijah Muhammad's Muslim movement. Nourished by the Negro's frustration over the continued existence of racial discrimination, this movement is made up of people who have lost faith in America, who have absolutely repudiated Christianity, and who have concluded that the white man is an incorrigible "devil."

I have tried to stand between these two forces, saying that we need emulate neither the "do nothingism" of the complacent nor the hatred and despair of the black nationalist. For there is the more excellent way of love and nonviolent protest. I am grateful to God that, through the influence of the Negro church, the way of nonviolence became an integral part of our struggle. If this philosophy had not emerged, by now many streets of the South would, I am convinced, be flowing with blood. And I am further convinced that if our white
brothers dismiss as "rabble rousers" and "outside agitators" those of us who employ nonviolent direct action, and if they refuse to support our nonviolent efforts, millions of Negroes will, out of frustration and despair, seek solace and security in black nationalist ideologies--a development that would inevitably lead to a frightening racial nightmare.

Oppressed people cannot remain oppressed forever. The yearning for freedom eventually manifests itself, and that is what has happened to the American Negro. Something within has reminded him of his birthright of freedom, and something without has reminded him that it can be gained. Consciously or unconsciously, he has been caught up by the Zeitgeist, and with his black brothers of Africa and his brown and yellow brothers of Asia, South America and the Caribbean, the United States Negro is moving with a sense of great urgency toward the promised land of racial justice. If one recognizes this vital urge that has engulfed the Negro community, one should readily understand why public demonstrations are taking place. The Negro has many pent up resentments and latent frustrations, and he must release them. So let him march; let him make prayer pilgrimages to the city hall; let him go on freedom rides--and try to understand why he must do so. If his repressed emotions are not released in nonviolent ways, they will seek expression through violence; this is not a threat but a fact of history. So I have not said to my people: "Get rid of your discontent." Rather, I have tried to say that this normal and healthy discontent can be channeled into the creative outlet of nonviolent direct action. And now this approach is being termed extremist. But though I was initially disappointed at being categorized as an extremist, as I continued to think about the matter I gradually gained a measure of satisfaction from the label. Was not Jesus an extremist for love: "Love your enemies, bless them that curse you, do good to them that hate you, and pray for them which despitefully use you, and persecute you." Was not Amos an extremist for justice: "Let justice roll down like waters and righteousness like an ever flowing stream." Was not Paul an extremist for the Christian gospel: "I bear in my body the marks of the Lord Jesus." Was not Martin Luther an extremist: "Here I stand; I cannot do otherwise, so help me God." And John Bunyan: "I will stay in jail to the end of my days before I make a butchery of my conscience." And Abraham Lincoln: "This nation cannot survive half slave and half free." And Thomas Jefferson: "We hold these truths to be self evident, that all men are created equal . . ." So the question is not whether we will be extremists, but what kind of extremists we will be. Will we be extremists for hate or for love? Will we be extremists for the preservation of injustice or for the extension of justice? In that dramatic scene on Calvary's hill three men were crucified. We must never forget that all three were crucified for the same crime--the crime of extremism. Two were extremists for immorality, and thus fell below their environment. The other, Jesus Christ, was an extremist for love, truth and goodness, and thereby rose above his environment. Perhaps the South, the nation and the world are in dire need of creative extremists.

I had hoped that the white moderate would see this need. Perhaps I was too optimistic; perhaps I expected too much. I suppose I should have realized that few members of the oppressor race can understand the deep groans and passionate yearnings of the oppressed race, and still fewer have the vision to see that injustice must be rooted out by strong, persistent and determined action. I am thankful, however, that some of our white brothers in the South have grasped the meaning of this social revolution and committed themselves to it. They are still all too few in quantity, but they are big in quality. Some--such as Ralph McGill, Lillian Smith, Harry Golden, James McBride Dabbs, Ann Braden and Sarah Patton Boyle--have written about our struggle in eloquent and prophetic terms. Others have marched with us down nameless streets of the South. They have languished in filthy, roach infested jails, suffering the abuse and brutality of policemen who view them as "dirty nigger-lovers." Unlike so many of their moderate brothers and sisters, they have recognized the urgency of the moment and sensed the need for powerful "action" antidotes to combat the disease of segregation. Let me take note of my other major disappointment. I have been so greatly disappointed with the white church and its leadership. Of course, there are some notable exceptions. I am not unmindful of the fact that each of you has taken some significant stands on this issue. I commend you, Reverend Stallings, for your Christian stand on this past Sunday, in welcoming Negroes to your worship service on a nonsegregated basis. I commend the Catholic leaders of this state for integrating Spring Hill College several years ago.
But despite these notable exceptions, I must honestly reiterate that I have been disappointed with the church. I do not say this as one of those negative critics who can always find something wrong with the church. I say this as a minister of the gospel, who loves the church; who was nurtured in its bosom; who has been sustained by its spiritual blessings and who will remain true to it as long as the cord of life shall lengthen.

When I was suddenly catapulted into the leadership of the bus protest in Montgomery, Alabama, a few years ago, I felt we would be supported by the white church. I felt that the white ministers, priests and rabbis of the South would be among our strongest allies. Instead, some have been outright opponents, refusing to understand the freedom movement and misrepresenting its leaders; all too many others have been more cautious than courageous and have remained silent behind the anesthetizing security of stained glass windows.

In spite of my shattered dreams, I came to Birmingham with the hope that the white religious leadership of this community would see the justice of our cause and, with deep moral concern, would serve as the channel through which our just grievances could reach the power structure. I had hoped that each of you would understand. But again I have been disappointed.

I have heard numerous southern religious leaders admonish their worshipers to comply with a desegregation decision because it is the law, but I have longed to hear white ministers declare: "Follow this decree because integration is morally right and because the Negro is your brother." In the midst of blatant injustices inflicted upon the Negro, I have watched white churchmen stand on the sideline and mouth pious irrelevancies and sanctimonious trivialities. In the midst of a mighty struggle to rid our nation of racial and economic injustice, I have heard many ministers say: "Those are social issues, with which the gospel has no real concern." And I have watched many churches commit themselves to a completely other worldly religion which makes a strange, un-Biblical distinction between body and soul, between the sacred and the secular.

I have traveled the length and breadth of Alabama, Mississippi and all the other southern states. On sweltering summer days and crisp autumn mornings I have looked at the South's beautiful churches with their lofty spires pointing heavenward. I have beheld the impressive outlines of her massive religious education buildings. Over and over I have found myself asking: "What kind of people worship here? Who is their God? Where were their voices when the lips of Governor Barnett dripped with words of interposition and nullification? Where were they when Governor Wallace gave a clarion call for defiance and hatred? Where were their voices of support when bruised and weary Negro men and women decided to rise from the dark dungeons of complacency to the bright hills of creative protest?"

Yes, these questions are still in my mind. In deep disappointment I have wept over the laxity of the church. But be assured that my tears have been tears of love. There can be no deep disappointment where there is not deep love. Yes, I love the church. How could I do otherwise? I am in the rather unique position of being the son, the grandson and the great grandson of preachers. Yes, I see the church as the body of Christ. But, oh! How we have blemished and scarred that body through social neglect and through fear of being nonconformists.

There was a time when the church was very powerful—in the time when the early Christians rejoiced at being deemed worthy to suffer for what they believed. In those days the church was not merely a thermometer that recorded the ideas and principles of popular opinion; it was a thermostat that transformed the mores of society. Whenever the early Christians entered a town, the people in power became disturbed and immediately sought to convict the Christians for being "disturbers of the peace" and "outside agitators." But the Christians pressed on, in the conviction that they were "a colony of heaven," called to obey God rather than man. Small in number, they were big in commitment. They were too God-intoxicated to be "astronomically intimidated." By their effort and example they brought an end to such ancient evils as infanticide and gladiatorial contests. Things are different now. So often the contemporary church is a weak,
ineffectual voice with an uncertain sound. So often it is an archdefender of the status quo. Far from being disturbed by the presence of the church, the power structure of the average community is consoled by the church's silent--and often even vocal--sanction of things as they are.

But the judgment of God is upon the church as never before. If today's church does not recapture the sacrificial spirit of the early church, it will lose its authenticity, forfeit the loyalty of millions, and be dismissed as an irrelevant social club with no meaning for the twentieth century. Every day I meet young people whose disappointment with the church has turned into outright disgust.

Perhaps I have once again been too optimistic. Is organized religion too inextricably bound to the status quo to save our nation and the world? Perhaps I must turn my faith to the inner spiritual church, the church within the church, as the true ekklesia and the hope of the world. But again I am thankful to God that some noble souls from the ranks of organized religion have broken loose from the paralyzing chains of conformity and joined us as active partners in the struggle for freedom. They have left their secure congregations and walked the streets of Albany, Georgia, with us. They have gone down the highways of the South on tortuous rides for freedom. Yes, they have gone to jail with us. Some have been dismissed from their churches, have lost the support of their bishops and fellow ministers. But they have acted in the faith that right defeated is stronger than evil triumphant. Their witness has been the spiritual salt that has preserved the true meaning of the gospel in these troubled times. They have carved a tunnel of hope through the dark mountain of disappointment. I hope the church as a whole will meet the challenge of this decisive hour. But even if the church does not come to the aid of justice, I have no despair about the future. I have no fear about the outcome of our struggle in Birmingham, even if our motives are at present misunderstood. We will reach the goal of freedom in Birmingham and all over the nation, because the goal of America is freedom. Abused and scorned though we may be, our destiny is tied up with America's destiny. Before the pilgrims landed at Plymouth, we were here. Before the pen of Jefferson etched the majestic words of the Declaration of Independence across the pages of history, we were here. For more than two centuries our forebears labored in this country without wages; they made cotton king; they built the homes of their masters while suffering gross injustice and shameful humiliation -and yet out of a bottomless vitality they continued to thrive and develop. If the inexpressible cruelties of slavery could not stop us, the opposition we now face will surely fail. We will win our freedom because the sacred heritage of our nation and the eternal will of God are embodied in our echoing demands. Before closing I feel impelled to mention one other point in your statement that has troubled me profoundly. You warmly commended the Birmingham police force for keeping "order" and "preventing violence." I doubt that you would have so warmly commended the police force if you had seen its dogs sinking their teeth into unarmed, nonviolent Negroes. I doubt that you would so quickly commend the policemen if you were to observe their ugly and inhumane treatment of Negroes here in the city jail; if you were to watch them push and curse old Negro women and young Negro girls; if you were to see them slap and kick old Negro men and young boys; if you were to observe them, as they did on two occasions, refuse to give us food because we wanted to sing our grace together. I cannot join you in your praise of the Birmingham police department.

It is true that the police have exercised a degree of discipline in handling the demonstrators. In this sense they have conducted themselves rather "nonviolently" in public. But for what purpose? To preserve the evil system of segregation. Over the past few years I have consistently preached that nonviolence demands that the means we use must be as pure as the ends we seek. I have tried to make clear that it is wrong to use immoral means to attain moral ends. But now I must affirm that it is just as wrong, or perhaps even more so, to use moral means to preserve immoral ends. Perhaps Mr. Connor and his policemen have been rather nonviolent in public, as was Chief Pritchett in Albany, Georgia, but they have used the moral means of nonviolence to maintain the immoral end of racial injustice. As T. S. Eliot has said: "The last temptation is the greatest treason: To do the right deed for the wrong reason."

I wish you had commended the Negro sit inners and demonstrators of Birmingham for their sublime courage, their willingness to suffer and their amazing discipline in the midst of great provocation. One day the South
will recognize its real heroes. They will be the James Merediths, with the noble sense of purpose that enables
them to face jeering and hostile mobs, and with the agonizing loneliness that characterizes the life of the
pioneer. They will be old, oppressed, battered Negro women, symbolized in a seventy two year old woman in
Montgomery, Alabama, who rose up with a sense of dignity and with her people decided not to ride
segregated buses, and who responded with ungrammatical profundity to one who inquired about her
weariness: "My feets is tired, but my soul is at rest." They will be the young high school and college students,
the young ministers of the gospel and a host of their elders, courageously and nonviolently sitting in at lunch
counters and willingly going to jail for conscience' sake. One day the South will know that when these
disinherited children of God sat down at lunch counters, they were in reality standing up for what is best in
the American dream and for the most sacred values in our Judaeo Christian heritage, thereby bringing our
nation back to those great wells of democracy which were dug deep by the founding fathers in their
formulation of the Constitution and the Declaration of Independence.

Never before have I written so long a letter. I'm afraid it is much too long to take your precious time. I can
assure you that it would have been much shorter if I had been writing from a comfortable desk, but what else
can one do when he is alone in a narrow jail cell, other than write long letters, think long thoughts and pray
long prayers?

If I have said anything in this letter that overstates the truth and indicates an unreasonable impatience, I beg
you to forgive me. If I have said anything that understates the truth and indicates my having a patience that
allows me to settle for anything less than brotherhood, I beg God to forgive me.

I hope this letter finds you strong in the faith. I also hope that circumstances will soon make it possible for me
to meet each of you, not as an integrationist or a civil-rights leader but as a fellow clergyman and a Christian
brother. Let us all hope that the dark clouds of racial prejudice will soon pass away and the deep fog of
misunderstanding will be lifted from our fear drenched communities, and in some not too distant tomorrow
the radiant stars of love and brotherhood will shine over our great nation with all their scintillating beauty.

Yours for the cause of Peace and Brotherhood, Martin Luther King, Jr.
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The Three Paths
Meeting Leadership Challenges in China and India

Businesses in Asia, notably in China and India, have traditionally been endowed with entrepreneurial energy. Where they have often fallen short is in efficiently structured, professionally run, and inspirational corporate leadership. An analysis of the three routes through which individuals in China and India become business leaders will go a long way toward resolving this disconnect.

In Asia today, especially in China and India, sound corporate leadership is frequently found wanting. Managing a business often remains undifferentiated from owning a business. Ownership is widely seen as automatically conferring the right of management. Spectacularly successful entrepreneurs frequently fail, often equally spectacularly, at professionalizing the management of their businesses after the initial success. This typically leads to disarray and decline.

A prevalent disconnect seems to exist in Asia between dynamic and visionary entrepreneurial energy on the one hand and sound corporate leadership that results in companies that are efficiently structured, professionally run, and competently and inspirationally led on the other. Successfully bridging this disconnect would foster the emergence of a new generation of business leaders in Asia. They would be endowed with entrepreneurial energy, just like their predecessors, but they would also be fully in tune with the need for professional management and also inspirational leadership. In attempting to bridge this disconnect, however, the process of how Asian business leaders emerge must be taken into account.

Three distinct pathways to becoming a business leader are found in Asia: the pioneering pathway, the inheritance pathway, and the professional pathway. The pathway each leader experiences indelibly stamps him or her with lasting personal and business values, tastes, and managerial styles and predilections.

Understanding these pathways and...
their associated experiences is a good starting point for designing an effective approach to improving corporate leadership in Asia, especially in China and India.

THE PIONEERING ROUTE

One of the truly amazing phenomena of contemporary China is that despite nearly half a century of socialism, with repeated and violent campaigns against capitalism and the bourgeoisie, the spirit of private entrepreneurship has managed to stay alive. As hard as Mao Zedong tried to stifle this spirit and as much as he believed he had succeeded, the urge to engage in private enterprise somehow could not be eradicated. As soon as entrepreneurial opportunities opened, it became evident that beneath every drab Mao suit lurked a would-be capitalist ready to don a business suit. Even more surprising is the fact that the belief in private enterprise is alive and well not only among the young but also among those who suffered grievously through the Cultural Revolution. These older individuals responded with great enthusiasm when given permission to set up their own businesses.

Leveraging China’s rising consumer spending, the urbanization boom, and the proliferation of new personal services, many Chinese entrepreneurs have made it big in property development, retail, and manufacturing. However, many of these entrepreneurs, especially those from the generation whose education was interrupted by the chaos of the Cultural Revolution, are not well educated. Many come from humble backgrounds in rural China. Most operate with an extremely short time horizon: focusing on making sure that the bank account is not in the red at the end of the month. They act more on gut instincts than on reasoned and sophisticated business planning. And they face intense, cutthroat competition daily. The pioneering pathway in China is a school of hard knocks, governed by a ruthless, Darwinian survival imperative.

Make no mistake about it: private entrepreneurs are transforming China. However, the environment in which they operate, which includes the need to deal with the still formidable government bureaucracy and the inevitable collisions with state-owned enterprises as competitors, shapes their behavior and outlook as entrepreneurs and as business leaders. They still need to tread carefully, for instance, and to demonstrate their contributions to China’s development wherever they can. Being a “successful” corporate leader may have less to do with business strategy and visions than with managing government relations.

Zhang Yue, founder of Broad Ltd., a Changsha-based maker of giant cooling systems that has successfully marketed its products worldwide, conspicuously displays in his office certificates attesting that Broad has paid more taxes than any other private company in China. Not far from his office is a hangar that houses his private helicopter and jet. This juxtaposition of on the one hand being a champion taxpayer and on the other having a private helicopter and jet is highly illustrative of how Chinese entrepreneurs have chosen to travel on the pioneering pathway to affluence today.

In India, not surprisingly, the pioneering pathway works very differently. The momentum driving the pioneering pathway to being a business leader in India comes from the information technology revolution. The story of Infosys, a global provider of IT consulting and services, is a good example. In 1981, Narayana Murthy and six partners set up Infosys in a garage in the southern Indian city of Pune, with $1,500. The seed capital came from their personal savings, as no bank would consider extending them a business loan. A graduate of the prestigious Indian Institute of Management, Murthy led Infosys’s exponential growth. Infosys now has more than $2 billion in annual revenue, is listed on the NASDAQ stock exchange, and counts among its clients many of the world’s leading companies. Today Murthy has stepped down from directly running the company to be its chief mentor; a concept more Californian than Indian.

Murthy is just one of many Indian entrepreneurs who successfully rode the wave of information technology and the Internet to establish world-class businesses, amass huge personal fortunes, and create hundreds of thousands of well-paid jobs for young, well-trained Indians. Other names in this group include Shiv Nadar, founder of HCL, India’s leading computer company; Azim Premji, founder of Wipro Technologies, one of the largest software companies in India and the world’s largest provider of research and development services; and the Raju family, which founded the IT consulting and services company Satyam Computer Services.

This wave of entrepreneurship was made possible by a convergence of three factors. The first was the emergence of India’s technical brainpower, which combined with the rock-bottom wages in India to form a formidable competitive advantage. (The brainpower was nurtured by elite schools such as the Indian Institute of Technology, but these

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schools came with a price, as basic education for the majority of Indians was and remains neglected, a situation that demands urgent reform.) The second factor was that the license raj—the elaborate system of licenses and regulations that were required to set up businesses in India until 1990 and that had stifled India’s entrepreneurs for five decades following the nation’s independence—had not anticipated the emergence of the IT industry. IT entrepreneurs were able to operate with relative ease as a result. The third factor was the emergence of the Internet, which became the virtual highway for India’s IT exports. (India’s physical infrastructure was and remains a serious bottleneck for the export of goods.) Economic reforms in the 1990s rapidly expanded India’s already burgeoning IT industry. Within a decade, IT service exports grew from virtually nothing to more than $40 billion a year. Service exports have also evolved, from basic services such as call centers to increasingly sophisticated and higher value-added business process outsourcing. Urban centers such as Bangalore and Chennai have become booming hubs of a dynamic IT industry. This industry, while building personal fortunes for the successful pioneers, has also become the standard path to affluence for young, well-educated Indians.

In sharp contrast with their Chinese counterparts, most of the Indian business leaders who have come through the pioneering pathway in the IT industry are well educated, technologically savvy, and have had some exposure to international business dealings. Their technological orientation and familiarity with corporate leadership tends to give them an air of sophistication.

**DIFFERENT LEGACIES**

Given the almost total destruction of private wealth in China over a period of four decades, one may well ask whether there is anything left to be inherited. Surprisingly, the answer is “quite a lot.” The reason is the princelings phenomenon.

The children of China’s top leaders and officials are known as princelings. Before the 1980s, most princelings were given priority in schooling, and many ended up being groomed for high positions in the government. Starting in the 1980s—and this development was a powerful sign of overall change in China—many princelings opted to go into business instead of government. Through their personal connections and family pedigrees, these princelings have been able to pursue the inheritance pathway to becoming business leaders.

Many such princelings grew up in relative comfort and had privileged access to higher education and other opportunities, such as international travel. Because of the still sizable and influential state sector, their connections and pedigrees continue to carry weight and remain valuable assets. It is therefore not difficult to imagine that their conception of corporate leadership is closely tied to the role of the state and government authority.

In India, the inheritance pathway could not be more different from China’s. If there is a business aristocracy in India, it would have to be the Tatas. The business conglomerate currently known as the Tata Group was founded in 1868 by Jamsetji Tata. He started in textiles, then expanded into trading, quickly establishing a stronghold in Bombay (now known as Mumbai). From the beginning, the Tatas ran their business with a strong sense of social welfare for their workers. Jamsetji Tata introduced pensions for workers in his textile mills in 1886 and accident compensation in 1895. In this respect, he was way ahead of his time and certainly ahead of other Indian business enterprises. This tradition of employee benefits has continued through vastly shifting economic, political, and business conditions over the past 138 years, even as the Tata Group has grown to become one of India’s largest business conglomerates, with enterprises spanning heavy industry, manufacturing, chemicals, agribusiness, financial services, hospitality, and IT.

The Tata Group is also known and respected for its tradition of entrepreneurial energy and vision. Again, Jamsetji Tata set the pattern. After
Consulting is a leading investor in China’s IT sector, and an ambitious multibillion dollar plan to invest in neighboring Bangladesh was unveiled in 2005. Seizing opportunities opened by economic reform in the 1990s, the Tata Group has also expanded into financial services to take advantage of rising domestic purchasing power. There are also plans for manufacturing a “people’s car” that could be sold for $2,000.

The Tata Group is just one of many large, family-owned businesses in India. Some are more flamboyant than the Tata Group and have succeeded to different degrees in the environment of market reform. One thing they all have in common, however, is the sense of family tradition and a shared responsibility for preserving the family fortune and legacy. Accordingly, their sense of corporate leadership is closely aligned with the values of families, legacies, and traditions.

**GOING PRO**

The professional pathway started to operate in China relatively late, with the arrival of foreign multinational companies in the 1980s. Foreign businesses, including some from Hong Kong, created a market for skilled business professionals and paid competitive market wages, typically a high multiple of what could be earned working for a government-run enterprise.

Such professional employment in turn stimulated the supply side—Chinese institutions of higher learning started to develop a capability to meet the demand for graduates in business administration, finance, marketing, IT, and so on. Even before Chinese educational institutions started to respond to the new demand, enterprising Chinese students took to studying overseas. It is estimated that between 1978 and 2005, some nine hundred thousand Chinese students went overseas for higher education and that about five hundred thousand have returned to their homeland, mostly since 1999. By 2005, about ninety licensed institutions of higher learning in China offered an M.B.A. program. The best of these schools, such as Fudan University in Shanghai, have curricula developed in partnership with leading international institutions, such as the Massachusetts Institute of Technology’s Sloan School of Management. Most of these well-educated business professionals in China, however, are still in their twenties and thirties. So in a society that is still largely organized by seniority and hierarchy, not many of them have reached leadership positions. Their time is yet to come. In many ways they hold the most promise for bridging the disconnect between entrepreneurial energy and sound corporate leadership in China.

In India the main thoroughfares in Bangalore are lined with sparkling, new, steel-and-glass office buildings housing IBM, Oracle, SAP, and a host of other leading international IT companies as well as Indian IT giants such as Infosys and Wipro. Tens of thousands of well-paid technical and managerial jobs are being created each year by these companies. They attract the best and the brightest graduates of India’s elite academic institutions, such as the Indian Institute of Management and the Indian Institute of Technology, and are the points of entry for well-educated and skilled Indians to join the ranks of the affluent.

Collectively, these companies form the professional pathway for a whole new generation of young Indians to lead businesses in the future. Young Indian managers and professionals employed by and rising through the ranks of these companies are therefore constantly exposed to sophisticated management concepts and techniques, are given opportunities in international training and postings, and become well informed on the latest trends in business strategies and management know-how. An added advantage of these individuals’ focus on technology is that they are less burdened than many other workers by the tradition of seniority according to age, because IT and related fields thrive on being innovative and creative—domains of the young more than the old. The leadership challenge for this generation of young Indian professionals is to go from technological prowess to genuine understanding of what leadership really means.

**STRONG INFLUENCES**

This brief comparison, organized in terms of the three pathways through which individuals in China and India become business leaders, suggests that the corporate leadership challenges in the two countries are very different. This is largely because the three pathways function very differently in China and India. In both nations, however, the pathways exert powerful influences on emerging business leaders, molding them to have certain strengths as well as certain weaknesses. Meeting the challenges of corporate leadership in China and India must begin with understanding these pathways and their impacts.
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