

Abshire-Inamori Academy on Leadership

**Leadership and Character in Business**

by

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As you have just heard, Ambassador David Abshire, founder of CSIS and current president of CSP, and I have jointly decided to establish the "Abshire-Inamori Academy on Leadership." I would, therefore, like to take this opportunity to share my beliefs about leadership and character in business with you.

As the Chinese proverb says, "A nation rises with an individual and is ruined by an individual." The leader of any group, be it for profit or not, bears the heavy responsibility of determining whether that group will prosper or perish.

What does it mean to "be the best leader that one can be"?

In simple terms, it means that a leader must have influence over his or her group. Leaders must be able to explain their visions and goals to individuals in the group, and be able to synchronize the efforts of that group. In other words, a leader must possess strong enough leadership and magnetic power to pull all members of the group toward the desired goal.

However, if a leader resorts to power or authority to lead the group, there are not many people who will follow such tactics from the bottom of their hearts.

What kind of person should be a leader? I believe that leaders must possess a strong will to pursue the physical and spiritual happiness of all group members, even if they have to make self-sacrifices for the group. That means leaders must have a high level philosophy.

A true leader must be able to lead the group not with authority or power, but with philosophy and character. In other words, only a leader who is selfless, has a dedicated attitude toward serving the group, maintains a philosophy that resonates with every individual in the group, and indicates a clear direction for the group to follow, will successfully unite a group under his leadership.

It is common belief that managers can succeed in the business world if they are expert schemers with a good head for business that they use to outwit competitors, and if they are knowledgeable about management. Conversely, I think that a manager must possess the elevated sense of ethics and philosophy necessary to be a leader.

Today's capitalistic society allows the free pursuit of business activities. But this does not mean that society will tolerate an action merely because it proves to be profitable. A capitalistic economy promotes and develops the society through fair means and fair competition. It can only function properly in a society with a high sense of ethics and morality.

That is why, even in the world of business, managers must also have a meaningful philosophy and the courage to implement it in order to achieve and maintain corporate success. Managers must have a heightened sense of morality and philosophy, and pursue profit in a manner that is universally just and right as a human being. I call this

"seeking the righteous way to profit."

If I were to choose a new manager, my first condition would be that the person must possess a meaningful philosophy and a noble character. If that person lacked knowledge and experience in finance or marketing, we would only have to assign capable staff to work at his side.

However, even if we selected an individual with seemingly wonderful character for management, the environment that surrounds that manager could sometimes have a detrimental effect on his personality.

Sincere and humble managers can be driven to selfish pride and arrogance when people around them, including their subordinates, lavish them with high praise and compliments. It is not rare to find cases where such managers start believing that it was their own personal talent that made the enterprise so successful. When this happens, they put their own interests ahead of the interests of the employees and shareholders, eventually driving the company to the brink of destruction.

There are also earnest managers who are very careful and will not tolerate even the slightest error while business is good, who may resort to camouflaging the accounting numbers to make their performance look better prior to evaluation when business declines. Even if their original intention were to eventually correct the distorted numbers, if the deception is not discovered, they misinterpret this as an acceptable action -- gradually increasing the deception until they are deeply in the wrong.

These are examples of how managers who originally possessed outstanding personalities could allow the essence of their character to be adversely affected by their environment.

For example, I am concerned that extremely generous compensation and stock option packages found today in the U.S., could possibly push even the most promising managers to succumb to temptation.

Today's business world believes that employees, shareholders and society would benefit, if adequate compensations were given to managers with strong leadership talents, as this would lead them to utilize their capabilities to the fullest extent and develop the company's performance.

Naturally, a certain level of compensation and incentives should be allowed. However, even common sense dictates that giving excessive compensation is not conducive to nurturing excellent managers. Normally, leaders are expected to make certain self-sacrifices for the group, and are expected to have the morals to withstand such self-sacrifice in order to manage the entrusted enterprise in a fair and just manner.

Wouldn't the current practice of giving inordinately large compensation and stock option packages drive even individuals with outstanding characters to begin seeking ways to maximize their self-interests? I am concerned that such practices could eventually change their character to the point where correct management decisions could no longer be made.

Today, excessively high executive compensation and incentives are like drugs that effectively destroy the character of superior leaders and possibly lead them to destruction.

Therefore, I am of the opinion that it is time to rethink excessively high compensation and stock option packages in order to ensure the healthy development of leaders in the business world.

In any case, as I mentioned earlier, managers must possess a pure and noble philosophy that compels them to make self-sacrifices to serve the group. No matter how the surrounding circumstances change, and even if their business were to become so successful that they found fame and fortune, leaders must have the self-control to suppress their desires and the courage to uphold a strong sense of fairness.

Unfortunately, the current demise of Enron is a major problem in the United States. Newspapers and other media are continuously filled with stories of economic impropriety in both Japan and the United States. I believe many of these problems can be traced to managers who once held admirable characters, but succumbed to temptations as their surroundings changed over the years.

If this is the case, the business world's most important and pressing need may be to raise true leaders who possess meaningful philosophy, strong self-control, willpower and the courage to continue to advance our modern capitalistic society.

I sincerely hope that the "Abshire-Inamori Academy on Leadership" will contribute to the achievement of that endeavor. I would like to conclude my speech by asking for your understanding and support of this academy.

Thank you for your kind understanding.