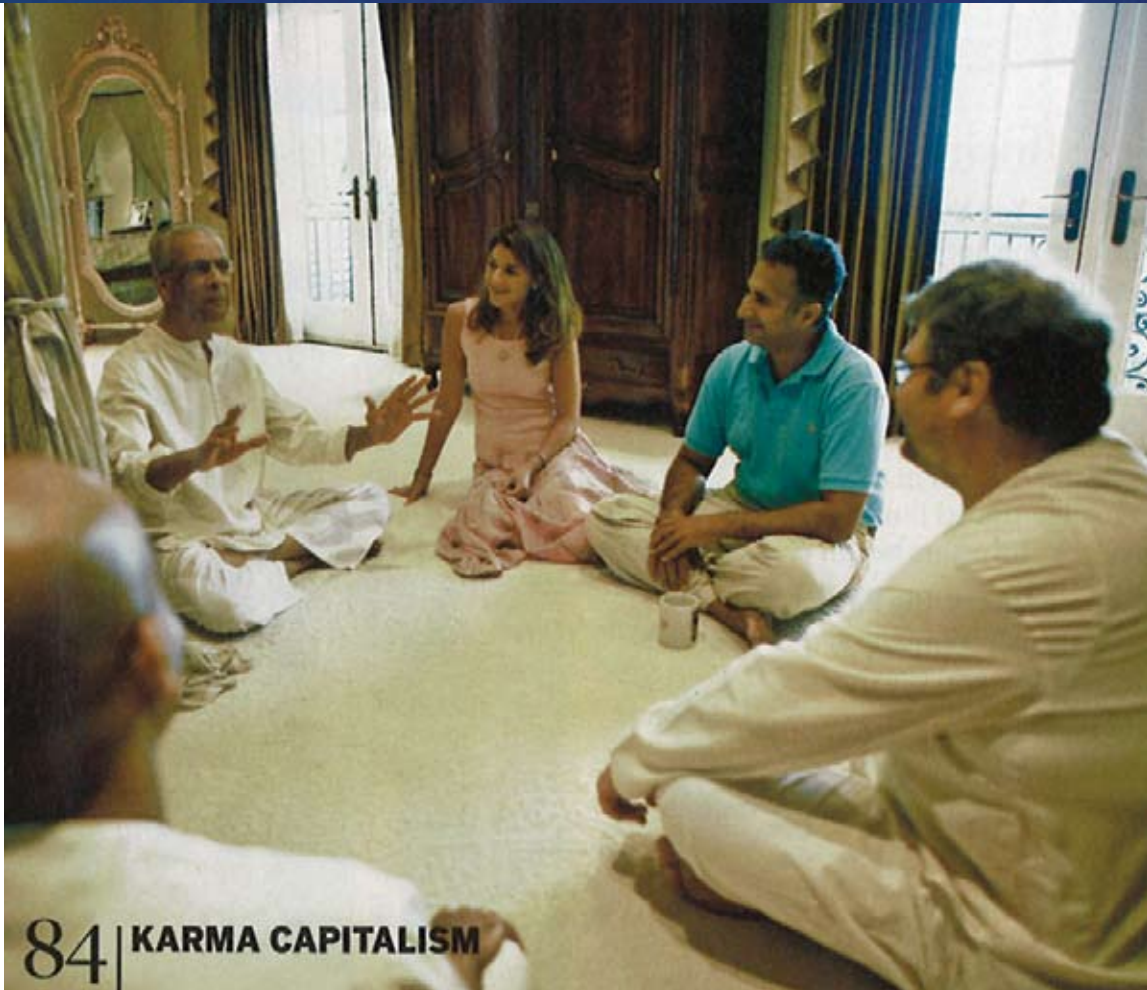


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Special Report

84 Karma Capitalism

Has the *Bhagavad Gita* become the hip new management text?

Karma Capitalism

Times have changed since Gordon Gekko quoted Sun Tzu in the 1987 movie *Wall Street*. Has the *Bhagavad Gita* replaced *The Art of War* as the hip new ancient Eastern management text?

By Pete Engardio

SIGNS OF WORLDLY SUCCESS abounded as members of the Young Presidents' Organization met at a mansion in a tony New Jersey suburb. BMWs, Lexuses, and Mercedes-Benzes lined the manicured lawn. Waiters in starched shirts and bow ties passed out vegetarian canapés. And about 20 executives—heads of midsize outfits selling everything from custom audiovisual systems to personal grooming products—mingled poolside with their spouses on a late September evening.

After heading inside their host's sprawling hillside house—replete with glittering chandeliers, marble floors, and gilded rococo mirrors—the guests retreated to a basement room, shed their designer loafers and sandals, and sat in a semicircle on the carpet.

The speaker that evening was Swami Parthasarathy, one of India's best-selling authors on Vedanta, an ancient school of Hindu philosophy. With an entourage of disciples at his side, all dressed in flowing white garments known as *kurtas* and *dhotis*, the lanky 80-year-old scribbled the secrets to business success (“concentration, consistency, and cooperation”) on an easel pad. The executives sat rapt. “You can't

succeed in business unless you develop the intellect, which controls the mind and body,” the swami said in his mellow baritone.

At the Wharton School a few days earlier, Parthasarathy talked about managing stress. During the same trip, he counseled hedge fund managers and venture capitalists in Rye, N.Y., about balancing the compulsion to amass wealth with the desire for inner happiness. And during an auditorium lecture at Lehman Brothers Inc.'s Lower Manhattan headquarters, a young investment banker sought advice on dealing with nasty colleagues. Banish them from your mind, advised Parthasarathy. “You are the architect of your misfortune,” he said. “You are the architect of your fortune.”

The swami's whirlwind East Coast tour was just one small manifestation of a significant but sometimes quirky new trend: Big Business is embracing Indian philosophy. Suddenly, phrases from ancient Hindu texts such as the *Bhagavad Gita* are popping up in management tomes and on Web sites of consultants. Top business schools have introduced “self-mastery” classes that use Indian methods to help managers boost their leadership skills and find inner peace in lives dominated by work.

More important, Indian-born strate-

gists also are helping transform corporations. Academics and consultants such as C. K. Prahalad, Ram Charan, and Vijay Govindrajana are among the world's hottest business gurus. About 10% of the professors at places such as Harvard Business School, Northwestern's Kellogg School of Business, and the University of Michigan's Ross School of Business are of Indian descent—a far higher percentage than other ethnic groups. “When senior executives come to Kellogg, Wharton, Harvard, or [Dartmouth's] Tuck, they are exposed to Indian values that are reflected in the way we think and articulate,” says Dipak C. Jain, dean of the Kellogg School.

Indian theorists, of course, have a wide range of backgrounds and philosophies. But many of the most influential acknowledge that common themes pervade their work. One is the conviction that executives should be motivated by a broader purpose than money. Another is the belief that companies should take a more holistic approach to business—one that takes into account the needs of shareholders, employees, customers, society, and the environment. Some can even foresee the development of a management theory that replaces the shareholder-driven agenda with a more stakeholder-focused



The Young Presidents' Organization in New Jersey soaks up the philosophy of Swami Parthasarathy

Dueling Playbooks

The opposing best-practice ideas of Sun Tzu and Krishna

To Sun Tzu, author of the once-hip management treatise *The Art of War*, victory should be the "great object." Winning the battle is all about unyielding discipline. Some of Sun Tzu's key ideas:



The *Bhagavad Gita*, a Hindu text more in keeping with today's zeitgeist, contains the wisdom of Lord Krishna. Focus on your thoughts and actions, rather than the outcome. Krishna's take:

GREED IS GOOD. Troops have to see there is "advantage from defeating the enemy" in order to be motivated. Share the booty with the rank and file, and give them shares of conquered territory.

« ON FINANCIAL INCENTIVES »

GREED IS BAD. "You should never engage in action only for the desire of rewards," Krishna says. Acting on worldly desires leads to failure. Do well, and good things will come.

BE TOUGH. Sun Tzu calls for "iron discipline": If you indulge troops with too much kindness and don't maintain your authority, they'll be "useless for any practical purpose."

« ON MANAGING UNDERLINGS »

BE FAIR. Enlightened leaders are compassionate and selfless, and they "treat everyone as their equals." Followers will rally around them and follow their example.

ATTACK ONLY WHEN VICTORY IS LIKELY. Better yet, maneuver to win without a fight. If the odds are bad, retreat and wait for another opportunity. Long campaigns strain resources and make you vulnerable.

« ON INITIATIVE »

ACT RATHER THAN REACT. A leader's actions today can become the "karma" that influences his status tomorrow. Leaders accomplish "excellence by taking action," Krishna says.

BEAT THE ENEMY. War is a vital fact of life that "cannot be neglected by a responsible sovereign." Winning requires clever tactics and, in some cases, deception.

« ON THE ULTIMATE GOAL »

SEEK HIGHER CONSCIOUSNESS. Leaders should view problems within their larger contexts. Translation: Show sensitivity to multiple stakeholders including shareholders, employees, partners, and neighbors.

approach. "The best way to describe it is inclusive capitalism," says Prahalad, a consultant and University of Michigan professor who ranked third in a recent *Times* of London poll about the world's most influential business thinkers. "It's the idea that corporations can simultaneously create value and social justice."

You might also call it Karma Capitalism. For both organizations and individuals, it's a gentler, more empathetic ethos that resonates in the post-tech-bubble, post-Enron zeitgeist. These days, concepts such as "emotional intelligence" and "servant leadership" are in vogue. Where once corporate philanthropy was an obligation, these days it's fast becoming viewed as a competitive advantage for attracting and retaining top talent. Where the rallying cry in the 1980s and '90s may have been "greed is good," today it's becoming "green is good."

And while it used to be hip in management circles to quote from the sixth century B.C. Chinese classic *The Art of War*, the trendy ancient Eastern text today is the more introspective *Bhaga-*

vad Gita. Earlier this year, a manager at Sprint Nextel Corp. penned the inevitable how-to guide: *Bhagavad Gita on Effective Leadership*.



THE ANCIENT SPIRITUAL wisdom of the *Bhagavad Gita* seems at first like an odd choice for guiding today's numbers-driven managers. Also known as

Song of the Divine One, the work relates a conversation between the supreme deity Krishna and Arjuna, a warrior prince struggling with a moral crisis before a crucial battle. One key message is that enlightened leaders should master any impulses or emotions that cloud sound judgment. Good leaders are selfless, take initiative, and focus on their duty rather than obsessing over outcomes or financial gain. "The key point," says Ram Charan, a coach to CEOs such as General Electric Co.'s Jeffrey R. Immelt, "is to put purpose before self. This is absolutely applicable to corporate leadership today."

The seemingly ethereal world view

that's reflected in Indian philosophy is surprisingly well attuned to the down-to-earth needs of companies trying to survive in an increasingly global, interconnected business ecosystem. While corporations used to do most of their manufacturing, product development, and administrative work in-house, the emphasis is now on using outsiders. Terms such as "extended enterprises" (companies that outsource many functions), "innovation networks" (collaborative research and development programs), and "co-creation" (designing goods and services with input from consumers) are the rage.

Indian-born thinkers didn't invent all these concepts, but they're playing a big role in pushing them much further. Prahalad, for example, has made a splash with books on how companies can co-create products with consumers and succeed by tailoring products and technologies to the poor. That idea has influenced companies from Nokia Corp. to Cargill. Harvard Business School associate professor Rakesh Khurana, who achieved acclaim with a treatise on how corpora-

tions have gone wrong chasing charismatic CEOs, is writing a book on how U.S. business schools have gotten away from their original social charters.

Vijay Govindarajan, a professor at Dartmouth College's Tuck School of Business whose books and consulting for the likes of Chevron and Deere & Co. have made him a sought-after innovation guru, links his theories directly to Hindu philosophy. He helps companies figure out how to stop reacting to the past and start creating their own futures through innovation. Govindarajan says his work is inspired by the concept of karma, which holds that future lives are partly determined by current actions. "Karma is a principle of action. Innovation is about creating change, not reacting to change," he says.

There are also parallels between Indian philosophy and contemporary marketing theory, which has shifted away from manipulating consumers to collaborating with them. "Marketing has tended to use the language of conquest," says Kellogg professor Mohanbir S. Sawhney, a Sikh who discusses the relevance of the *Bhagavad Gita* to business on his Web site. Now the focus is on using customer input to dream up new products, Sawhney says, which "requires a symbiotic relationship with those around us."

Kellogg's Jain, who is working on a book about the customer-centric business models of Indian companies, believes that many Indian thinkers are drawn to fields stressing interconnectedness for good reason. "We have picked areas that are consistent with our passion," he says.

Whatever the common themes, India, of course, is hardly a showcase of social consciousness. While companies such as Tata Group or Wipro Technologies have generous initiatives for India's poor, the country has its share of unethical business practices and social injustices. In addition, some Indian academics bristle at the suggestion that their background makes their approach to business any different. They're quick to point out the wide range of religions, influences, and specialties among them.

Indeed, it's not surprising that thinkers from a country with as diverse an economic and social makeup as India would have different perspectives on the influences on their work. "We are a fusion society," says Harvard's Khurana. As a result, many Indian management theorists "tend to look at organizations as complex social systems, where culture and reciprocity are important," he says. "You won't hear too many of us say the only legitimate stakeholders in a company are stockholders." What's more, India's extreme poverty imposes a natural pressure on its companies to contribute more to the common good.

The Dharma Dons

A few of today's most prominent management thinkers of Indian descent:

RAM CHARAN

CEO Coach, former professor, Harvard

» Among the world's most sought-after CEO advisers, Charan has worked closely with executives at General Electric and DuPont. The key point of the *Bhagavad Gita*, Charan says, is for leaders to "put purpose before self."



VIJAY GOVINDARAJAN

Professor, Dartmouth College's Tuck School of Business

» Helps companies such as Corning and Johnson & Johnson build innovation strategies. He sees "karma"—the fate people determine by their actions—as relevant to leaders. "Destiny is not preordained. You can create your future."

DIPAK JAIN

Dean, Kellogg School of Business

» At Kellogg, has brought in self-help gurus like Deepak Chopra for exec-ed programs and added courses on ethics and social responsibility. Jain, a director of John Deere and Northern Trust, says Indian thinkers are helping to "create the globally conscious business leader of the future."



RAKESH KHURANA

Associate professor, Harvard Business School

» Wrote *Searching for a Corporate Savior* in 2002, which questioned the hunt for charismatic, celebrity CEOs. Coming from a traditional society with many ethnic groups, says Khurana, helps one realize "no social order can be sustained if benefits go to only a few."

C. K. PRAHALAD

Professor, University of Michigan

» With *The Fortune at the Bottom of the Pyramid*, Prahalad transformed companies' approach to the developing world. "The ultimate challenge is to create capitalism that puts individuals at the center of the universe," he says.



Indian thinkers are affecting not only the way managers run companies. They are also furthering their search for personal fulfillment. Northwestern's Kellogg even offers an executive education leadership course by Deepak Chopra, the controversial self-help guru and spiritual healer to the stars. Chopra also is on the board of clothing retailer Men's Wearhouse Inc. and has conducted programs for Deloitte, Harvard Business School, and the World Bank.

In a stark, brightly lit classroom, Chopra, sporting glasses with heavy black frames studded with rhinestones, led a class through a 20-minute meditation in June. "Sit comfortably in your chair with your feet planted on the ground," Chopra instructed the 35 mostly midlevel executives from corporations that are as far afield as ABN Amro Bank and sporting goods retailer Cabela's Inc. "Our mantra today is: 'I am.'"



OTHER B-SCHOOLS ARE adding courses that combine ancient wisdom with the needs of modern managers. A popular class at both Columbia Business School and London Business School is "Creativity & Personal Mastery," taught by Columbia's Srikumar Rao. Many attendees are fast-track managers who are highly

successful at work but still miserable, says Rao. His lectures, which include mental exercises and quotes from Indian swamis and other philosophers, win praise from managers such as Goldman Sachs Group Inc. Managing Director Mark R. Tercek. "Business schools ought to be championing this stuff," says Tercek, a yoga practitioner. "We can hire the smartest damn people in the world, but many of them ultimately don't succeed because they can't motivate and work with those around them. I think the Indians are on to something."

They may be on to quite a lot. Some Indian theorists have said their ultimate goal is to promote an entirely different theory of management—one that would replace shareholder capitalism with stakeholder capitalism. The late Sumantra Ghoshal was attempting to do just that. At the time he died, the prolific London Business School professor was working on a book to be called *A Good Theory of Management*.

As Ghoshal saw it, the corporate debacles of a few years ago were the inevitable outgrowth of theories developed by economists and absorbed at business schools. Corporations are not merely profit machines reacting to market forces; they are run by and for humans, and have a symbiotic relationship with the world around them.

“There is no inherent conflict between the economic well-being of companies and their serving as a force for good in societies,” wrote Ghoshal.

In their own ways, other Indian thinkers are picking up the mantle. Khurana’s forthcoming book, *From Higher Aims to Hired Hands*, looks at the professional responsibility to society that managers and the business schools who train them were initially designed to have.

The quest, says Prahalad, is to develop a capitalism that “puts the individual at the center of the universe,” placing employees and customers first so that they can benefit shareholders. This is a lofty if improbable goal. But if it is attained, business leaders may find that India’s biggest impact on the global economy may be on the way executives think. ■

—With Jena McGregor in New York