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IN THIS ISSUE:

- Lands’ End and the Comer Foundation: A Legacy
  Interview with Stephanie Comer, Chicago, Illinois

- Capital Budgeting and Sustainable Enterprises: Ethical Implications
  Ron Sookram, Ph.D. & Balraj Kistow, MSC
  St. Augustine, Trinidad W.I.

- Business and Corporate Stakeholders Management: Interactions with an Eminent Expert from the Indiana Banking and Finance Industry
  Shashank Shah, Ph.D.
  Andhra Pradesh, India

- Values-Based Leadership: A Shift in Attitude
  Joseph P. Hester, Ph.D.
  Claremont, North Carolina

- Redemption in the Dean’s Office
  Christine Clements, Ph.D.
  Whitewater, Wisconsin

- The Story of Ethicus – India’s First Ethical Fashion Brand
  Ajith Sankar, PSG Institute of Management
  Coimbatore, India
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MBA Office
Urschel Hall, 104
1909 Chapel Drive
mba@valpo.edu
219-465-7952
219-464-5789
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The mission of the *JVBL* is to promote ethical and moral leadership and behavior by serving as a forum for ideas and the sharing of “best practices.” It serves as a resource for business and institutional leaders, educators, and students concerned about values-based leadership. The *JVBL* defines values-based leadership to include topics involving ethics in leadership, moral considerations in business decision-making, stewardship of our natural environment, and spirituality as a source of motivation. The Journal strives to publish articles that are intellectually rigorous yet of practical use to leaders, teachers, and entrepreneurs. In this way, the *JVBL* serves as a high quality, international journal focused on converging the practical, theoretical, and applicable ideas and experiences of scholars and practitioners. The *JVBL* provides leaders with a tool of ongoing self-critique and development, teachers with a resource of pedagogical support in instructing values-based leadership to their students, and entrepreneurs with examples of conscientious decision-making to be emulated within their own business environs.

**Call for Papers**

The *JVBL* invites you to submit manuscripts for review and possible publication. The *JVBL* is dedicated to supporting people who seek to create more ethically and socially-responsive organizations through leadership and education. The Journal publishes articles that provide knowledge that is intellectually well-developed and useful in practice. The *JVBL* is a peer-reviewed journal available in both electronic and print fora. The readership includes business leaders, academics, and students interested in the study and analysis of critical issues affecting the practice of values-based leadership. The *JVBL* is dedicated to publishing articles related to:

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2. Creating ethical, values-based organizations;
3. Balancing the concerns of stakeholders, consumers, labor and management, and the environment; and
4. Teaching students how to understand their personal core values and how such values impact organizational performance.

In addition to articles that bridge theory and practice, the *JVBL* is interested in book reviews, case studies, personal experience articles, and pedagogical papers. If you have a manuscript idea that addresses facets of principled or values-based leadership, but you are uncertain as to its propriety to the mission of the *JVBL*, please contact its editor. While manuscript length is not a major consideration in electronic publication, we encourage contributions of less than 20 pages of double-spaced narrative. As the *JVBL* is in electronic format, we especially encourage the submission of manuscripts which utilize visual text.
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2) The editor will send the manuscript to three reviewers consisting of at least one scholar and one practitioner. The third reviewer shall be chosen at the editor’s discretion, depending upon the nature of the manuscript. Once reviews are returned, the editor may: a) accept the manuscript without modification, b) accept the document with specific changes noted, c) offer the author(s) the opportunity to revise and resubmit the manuscript in response to the reviewers’ and editors’ comments and notations, or d) reject the manuscript. To be considered publishable, the manuscript must be accepted by at least one of each type of reviewer.

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Keeping the Commitment

Promises, guarantees, assurances ... are these statements genuine indicators of performance or merely ploys to arrest the intelligence of a person long enough to conclude the sale? Certainly, if a business is to market successfully, favorable word of mouth is critical. One negative experience will not only lead to poor inter-consumer communications, but ostensibly generate unwelcome — and sometimes devastating — chatter on the Internet.

Hopefully, the business owner or marketer will refrain from misrepresentations, not just to ward off potential negative repercussions and possible litigation, but to truly take pride in the service rendered or the product produced. The threat of an agency fine from the FCC or a warning from the FDA for rule noncompliance and potential individual or class action litigation would certainly create incentives to refrain from misleading the public. This is the behavior that has been mandated by law.

But as everyone knows, what is legal is not always what is ethical.

The former accounting firm of Arthur Anderson was ultimately acquitted of felony charges of fraud when it created numerous subsidiaries and partnerships into which Enron debt was funneled. Regardless of the legality of these actions, thousands of Enron pensioners and other stockholders lost their savings to pander to the unbridled greed of the few.

It is the business owner or service provider who combines legal compliance with customer commitment, product integrity, and sound internal, supply, and distribution chain relationships who can ultimately be referred to as an ethical business leader. Serve the customers with full disclosure. Put their needs first. Create a necessary and sustainable product or service.

While there is no guarantee that profits will result from the implementation of these objectives, dignity is preserved and oftentimes welcome surprises ensue.

― Elizabeth F. R. Gingerich, Ed.
CONTENTS

Articles

9 LANDS’ END AND THE COMER FOUNDATION: A LEGACY
An Overview of Gary Comer, the Founding of Lands’ End, and an Interview with Stephanie Comer—Chicago, Illinois
When a business is created by an individual who holds certain values as fundamental to its development, the customer, workforce, and management are all natural beneficiaries. This case study and interview exemplify how both community service and serving the customer can transcend, and even augment, the bottom line.

21 CAPITAL BUDGETING AND SUSTAINABLE ENTERPRISES: ETHICAL IMPLICATIONS
Ron Sookram, Ph.D, & Balraj Kistow, MSC, Arthur Lok Jack Grad School of Business, University of the West Indies — St, Augustine, Trinidad W.I.
This article focuses upon the growing, universal influence of social, environmental, and economic factors in business decision-making and the possibility of developing sustainable enterprises through a triple-bottom-line, capital budgeting approach.

27 BUSINESS AND CORPORATE STAKEHOLDERS MANAGEMENT: INTERACTIONS WITH AN EMINENT EXPERT FROM THE INDIANA BANKING AND FINANCE INDUSTRY
Shashank Shah, Ph.D. — Andhra Pradesh, India
A very insightful look into the evolving ethics of the emerging, sustainable business culture as derived from an interview with Mr. Sanjiv Bhasin, Managing Director of DBS Bank Ltd. India and former CEO and Managing Director of Rabo India Finance Ltd.

37 VALUES-BASED LEADERSHIP: A SHIFT IN ATTITUDE
Joseph P. Hester, Ph.D. — Claremont, NC
To genuinely refer to leadership as “values-based,” a shift in attitude is required and the “ethics of care” must be embraced. This modification will ostensibly involve a subjective commitment to reason consistently and prudently, to care for others, and to dedicate oneself to reconsider his or her actions and behaviors.

51 REDEMPTION IN THE DEAN’S OFFICE
Christine Clements, Ph.D., Dean, College of Business and Economics, University of Wisconsin—Whitewater — Whitewater, Wisconsin
Academic deans, like all leaders trying to create principled-based positions, are subject to the hubris of power and the often divergent demands of many stakeholders. Dean Clements discusses how a leader’s failures, as well as successes, are all necessary to properly cultivate this role.

61 THE STORY OF ETHICUS — INDIA’S FIRST ETHICAL FASHION BRAND
Ajith Sankar, R.N. Assistant Professor, PSG Institute of Management — Coimbatore, India
Historically, cotton has played a significant role in India’s independence from British rule and continues to be a factor in that nation’s growth and recognition as a premier trading partner. Now, the Ethicus brand has provided the world with a template of how to create and develop an industry sustainably, giving due regard to the process and to each employee.
Take care of the CUSTOMER and the rest will take care of itself.— Gary Comer

Is it possible that a business can grow to be an international entity and still retain the moral compass of its founders? Or does the sheer size and volume of its assets and transactions necessarily command a loss of integrity?

Lands’ End and the Comer Foundation: A Legacy*

The plethora of media attention detailing the failings of a corporation and its leaders neglects to distinguish those companies from organizations built by individuals with ideals and aspirations of conducting business in a manner designed to generate respect and loyalty while benefitting the communities served. Lands’ End and its founder, Gary Comer, have achieved this stature. His charitable spirit continues through the work of his family.

The idea that a company could operate as a mail-order, retail store originated with Gary Comer. Since his youth, Comer desired to create his own business and ideally combine it with his passion for sailing.¹ Beginning with the design, marketing, and sale of yachting hardware and equipment (and eventually leading to the sale of duffel bags and apparel),

*All photographs courtesy of The Gary Comer Family Archive. The editor also expresses her gratitude to the scholarly contributions of Alissa Fiorintino and Sarah Lynn Buelke.

Lands’ End Yacht Stores, later shortened to simply Lands’ End, was formed. Of the name, Comer commented: “It had a romantic ring to it, and conjured visions of a point to depart from on a perilous journey.”² Ironically, Gary Comer and his 3 staff members did not realize the misplaced apostrophe until the business had grown significantly.³ The company decided to keep this grammatical error because it would have been cost-prohibitive to change the name.⁴ Instead, the spelling error has simply become a part of the company’s legacy.

Lands’ End’s emphasis on customer satisfaction led it to become one of the first companies to offer a toll-free sales number and its “no questions asked” return policy helped it to become one of the most innovative and largest mail-order businesses in the world. Due to its expanding size and worldwide recognition, Comer decided to take the company public in 1986. Publicly traded for over 15 years, Lands’ End, Inc. was sold to Sears, Roebuck, and Co. in 2002 for $1.9 billion. Comer used a portion of his personal proceeds from the sale to ensure that everyone on the payroll received compensation.⁵

Despite a change in management, Sears and its Lands’ End stores celebrated the opening of the Gary Comer College Prep’s new facilities by donating $30,000 of apparel and pledging monetary incentives through their “School Rewards” program.⁶ Sears also received a platinum ranking for being a “Fit-Friendly Company” in 2010 by the American Heart Association through maintaining a worker-friendly, health-focused workplace environment.⁷ Following Comer’s firm belief in promoting environmental awareness, Sears and its Lands’ End stores significantly began greening their operations by reducing catalog paper consumption by 50 percent between 2004 and 2008, increasing the amount of recycled and sustainably-harvested fiber in packaging materials, installing community gardens on company property, and engineering paperless work stations. In 2009, Sears Holding Company earned the Environmental Protection Agency’s ENERGY STAR program’s Retailer of the Year designation.⁸

The creation of such a successful business was not Gary Comer’s most significant contribution to society. Comer positively impacted people’s lives in his community, especially

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in his birthplace of Chicago. Comer had always considered himself to be a “child of poverty.” Regardless, he contributed in ways to positively impact or change people’s lives. Former Chicago Mayor, Richard M. Daley, attested to Gary’s sense of philanthropy: “Gary’s drive to succeed in business was only surpassed by his deep commitment to Chicago’s children.”

There are many examples of contributions that Comer made to the Chicago area. He purchased computers, an air conditioning system, and uniforms for his old grammar school as well as promised the 8th grade children that he would pay for their college education if they graduated from high school. Additionally, he constructed numerous homes in the Grand Crossing neighborhood, donated more than $80 million to house the Comer Children’s Hospital at the University of Chicago, and contributed $50 million to the Revere School community for the construction of a youth center and to provide its residents with both educational and neighborhood housing initiatives.

Comer also championed the preservation and responsible stewardship of the environment. This passion originated during one of his sailing trips to the Arctic Circle in 2001. During this voyage, he was surprised by the lack of surface ice during that time of the year which typically would block most passages. As further research in this region demonstrated the pervasive effects of climate change, he began funding the climate change research efforts of qualified scientists and other leaders in this field. This newfound area of interest, coupled with his work in urban reform, community organization, and health care, became the fundamental objectives of the Comer Science and Education Foundation.

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11 Id.


Gary and Francie Comer had two children, Stephanie and Guy Comer. Stephanie, a noted photographer and author, sailed with her father to the Arctic Circle. When Gary Comer died in 2006, his children carried forth his legacy: Guy, primarily in urban educational reform and community development and Stephanie in environmental research and health care — although they share reciprocal interests.\(^\text{14}\)

The following interview was conducted with Stephanie Comer in 2011. She currently serves as the president of the Comer Foundation and is a member of the Board of Trustees of the Medical Home Network (which she co-founded). Additionally, she is a member of the Chicago Climate Action Plan’s Green Ribbon Committee, the Board of Trustees of the University of Chicago Medical Center, and the Gary Comer Youth Center.

\(^{14}\) Id.
Interview with Stephanie Comer — February 25, 2011, Chicago, Illinois

Q: What is the extent of your involvement with both Lands’ End and the Comer Family Foundation?

Let me give you a little background. After, my father passed away, my brother and I split on what he was working on, recognizing that we had an opportunity to continue some of the good work that he was doing. My brother focused largely on community development while I ventured into environmental and health reform. Although at that time I was not well versed in health care, I began to connect with experts in the field. As my father had done a lot of work on the South Side where he grew up, I started talking to different providers, organizations, and doctors within this region to educate myself on some of the issues. Access to care kept coming up again and again and especially specialty access to care and at some point I realized that I needed more expertise. That is when I hooked up with Pat Terrell of Health Management Associates in Chicago. We commissioned them to do a report about the delivery system of health care services on the South Side. We conferred that there was a poor delivery of services and that this was a very serious issue throughout the United States. But we wanted to do this in our backyard.

Q: When you say that you received the climate change and health care work started by your father, can you identify any aspects of his own upbringing that led him to becoming so impassioned about these two topics? Was there something about your family in terms of relationships, religion, or perhaps an epiphanal experience, that changed his outlook?

Are you talking about climate change or general philanthropy?

Q: Everything. I understand that he was the son of a railroad worker and a housewife. Did you know your grandparents well?

I didn’t know them at all; they died before I was born.

Q: And he grew up on the South Side of Chicago?

Yes.

Q: And how did your parents meet?

They met in a public restaurant or tavern by happenstance in downtown Chicago.

Q: Was that at a time when he had already started the business?

They were married and I think that it was about 6 months into their marriage. He quit his job and started this new business.

Q: Did either one receive formal education?

My mom went to college.

Q: And your father?

No, he graduated from high school. He did go to night school.
Q: Wasn't he in advertising during the first years of his business? He worked for Young and Rubicam and I think that as he told it to us — he really met a core group of friends and mentors there and people that recognized that he was an incredibly hard worker and very talented. He brought in a lot of those people into Lands’ End later on. And I think he considered them among his closest friends throughout his life.

Q: Is it true that he started Lands’ End with several partners? He started Lands’ End with two or three associates but over time, bought them out. I think that the other people were not interested and that it was actually my dad who really had the drive.

Q: Where did he develop his affinity for sailing? My dad boated on Lake Michigan during the summers. I think that he was just intrigued by it and he just started hanging out in the Yacht Club. He started to meet various people and from there began to work on peoples’ boats. One thing led to another. This was all happening during the summers when he was growing up.

Q: So he saw a market need, or at least an opportunity, for selling sailboat and yacht hardware? I don’t know if he saw a market need necessarily. I think that he knew that he always wanted to work for himself and that he always wanted to start a business and that this was a subject that he knew how to advertise. He also acknowledged that supplying boating equipment was a seasonal operation and that greater potential existed in the marketing and sale of luggage and apparel. That’s when they made the shift.

Q: Do you think that this was intrinsic to his personality, wanting to be his own boss and to work so hard? Definitely. That was him from the very beginning. Even after he had started Lands’ End, he was an “idea guy.” He would always come up with different ideas about how he can do this or how he could do that and come up with drawings and reports — that was his core.

Q: And what was your mother like in terms of balancing his characteristics or matching them? That’s an interesting question. Well they both were very intuitive and he was probably much more of a risk-taker and she was a bit more cautious. She certainly supported him with respect to everything that he did throughout his entire lifetime. Like any couple, they discussed and traded ideas.

Q: Did she ever work for Lands’ End? No. She was very busy as a stay-at-home mother and additionally participated in many community projects. She originally worked in public relations before she had us (Stephanie and Guy).

Q: Is Guy older or younger than you? Guy is four years younger.
Q: So by the time that you were born, was Lands’ End a going business?
   It was.

Q: Would you call your father a workaholic?
   Yes.

Q: But isn’t there a fine line between someone with a great work ethic and someone who is a workaholic?
   I would not describe his work ethic as necessarily *addictive* in the negative sense of that term. His dedication to his work never adversely affected any of us nor did it impact any parts of our lives in a negative way. I never felt that he was not there for us and I never felt that his obsession with his work interfered with his parenting.

Q: So he knew how to balance?
   He balanced his business activities, his community and reform work, and his commitment to his family extraordinarily well. We always used to go to Wisconsin on the weekends. That became a type of get-away and I think that that exclusive time was key for us as a family. There were the four of us and he could still work and contemplate but he was also getting away from everything. He saw the importance of shutting it down.

Q: Did he have a sense of humor?
   Very much so. He especially loved puns.

Q: Certain resources describe him as very quiet with mild eccentricities. Would you agree with this description?
   My father had a lot of those, but I would never describe him as being eccentric. When I think of an eccentric personality, I would never equate that image with my dad. I also think that he lived a certain life in which he was able to accomplish many things and I believe some people would believe that that appeared to be somewhat eccentric. We were able to travel to distant places. And when Lands’ End really started gaining market strength — especially when it branched off into the apparel line — his fundamental traits and beliefs were never compromised. He always put the employees first, he put the customers first, and everything was guaranteed, same day shipping.

Q: Were these objectives achieved? Was he able to put the employees first? Did anything suffer with respect to these lofty objectives, sometimes seemingly impossible goals?
   I think that when you are first starting out, you can shape your business the way that you want and he started with those core values.

Q: How would you describe those core values?
   He knew that he was in a service industry and recognized the importance of the customer. I believe that he always treated...
everybody who worked with him or for him with a great deal of respect. And I think that the people who he hired had an enormous trust in him and so he was never a micro-manager. He always told them to do the best that they could do although he recognized that obviously was not always going to work. But when you start out with that culture, it becomes self-sustaining. As people were hired to work for him, there was something about his character which made you want to do the best you could.

Q: He has been described as a quiet man who, through his actions, was inspirational as opposed to somebody who could make eloquent speeches but be empty of content.

He was very kind and he cared enormously about people, whether it was someone who was working with him or someone who he was sending a luggage order to. This trait defined him throughout his entire life.

Q: Did his workers ever unionize or express any desire for collective bargaining?

At one point — I hope that I am factually correct — in the 70s he had moved the luggage portion to a town called Boscobel, and that was 45 minutes from Dodgeville, Wisconsin. It was there that a couple of workers, husband and wife, expressed a desire to explore possible union representation. He never foreclosed that possibility but his close relationship to his workers and his attentiveness to their needs obviated the necessity of a union. And at this time, the business was expanding very quickly so he worked really hard with everybody there to build relationships and tried to offer them more than what a union could offer so that when the vote was called, it did not pass. He was already treating them as co-equals, with dignity, and understanding their concerns.

Q: You have already said that he was an “ideas-man,” Did also accept ideas from his employees?

Certainly. I remember that there were frequent meetings that he would initiate with the employees of each department. Their input was so important to him and was always appreciated. But this was a time when I was still very young.

Q: Which time frame are you referencing?

The mid-sixties.

Q: So about twenty years later, in 1986, Lands' End went public. At any time during this period did you start working for the business?

Not as a full-time employee. But I worked there from time to time, usually in the summers, as somewhat of an unpaid intern. I think I modeled a sweater one or twice for a catalog.

Q: So you weren’t there to see the interaction or become part of the decision-making process?

No, I think that he always wanted my brother and me to do what we wanted to do. Follow our hearts rather than follow him.

Q: There’s a particular theory that as a business grows, it becomes more difficult to manage and less personal. That the bottom-line becomes the sole raison d’être. Did you ever feel or did he ever communicate to any of his family members that because of the quick
expansion of the business, internal communications were becoming more and more difficult or that running the business was getting out of control?

I wouldn’t necessarily say out of control; these would not be the words that I would use. I think for him what was really exciting was that he was able to bring this company to an area in Wisconsin where there was a 19% unemployment rate before Lands’ End came in and offered so many people living there jobs. And good jobs. And he did this purposefully. He felt strongly about being in Wisconsin and I think that he loved the town, the whole area. There was no doubt that he really supported the local community and that he admired the people. He felt they had an incredible work ethic and if there was a way that he could help, he wanted to. More than the profit, he wanted to create jobs.

Q: Were you raised basically in a four-person, nuclear family, or were there members of a larger, extended family?

My mother’s parents were alive at the time and she has a brother. And we are close. My father did not stay in touch; he was very close with his brother who died when my dad was 36 and he did not stay in touch with his sister. So, no, we did not have an extended family on his side.

Q: So when you were growing up and your father was perpetuating this idea that he wanted his children to follow their hearts and minds and not necessarily perpetuate the business, what did you decide to do?

He had introduced me to photography. He loved taking pictures. I remember getting my first camera for Christmas one year.

Q: How old were you?

Maybe 12. I believe that is the sixth grade. So that is something that we always shared in common. Then I kind of went back to it again in college and recognized that was something I really wanted to do.

Q: Where did you go to college?

I went to Vassar College, in New York. I majored in English.

Q: So when you graduated with a degree in English, did you think, “now what?”

Certainly. You’re panicked. But studying English was great. It teaches you how to think about things in different ways and how to write well and read. And at the same time, I was taking pictures. So then I worked for a photographer for a year and then I went to a photography school for two years.

Q: And you produced two books – The Moment of Seeing in 2006 and Ichthyo: The Architecture of Fish in 2008. What was the subject of the first one?

It was about Minor White’s photography department at the then California School of Fine Arts (today the San Francisco Art Institute) during the 40s and 50s.

Q: And there was a co-author?

It was actually my former boss. She was the executive director at a museum in San Francisco where I once worked and so when the museum closed, we got together and collaborated on a couple of books.

Q: For what period of time did you work in San Francisco?

From 1990 until my father got sick.
Q: And that is when you moved back to Chicago? Because of his illness?  
Yes.

Q: Looking at the Influences that make the company a unique business — was there any link to a faith, a religion, or spirituality?  
Nothing concrete, however the empathetic values that a person might associate with a spiritual philosophy or sense of altruism were certainly present.

Q: So there was no church-going or any formal religious Instruction?  
No.

Q: Where your parents raised in a particular faith?  
My father was not but my mother was raised a Catholic.

Q: Is she a practicing Catholic?  
No.

Q: So there was no spiritual connection for what your father did?  
No religious connection.

Q: From where did his altruism emanate — was it in-bred or did it evolve with the growth of his business?  
In-bred. I think that my parents were very empathetic people.

Q: Do you know what influences may have shaped their outlooks and actions?  
I don’t. That is a good question. They raised us to be empathetic. I also think that when we were growing up, my father made sure that he was successful but hadn’t sold his company at that point and I feel like we grew up with our feet on the ground and they really made sure that that was the case.

Q: With those empathetic values, did they expose you early on to the plight and needs of the less fortunate — not just to address areas of unemployment? With the sense of empathy that seems to be in-bred, what else were you exposed to that helped create this trait?  
I think that happened at an early age. Certainly growing up in the city, you were exposed to everything that happens. I grew up on the Near North side of Chicago and it was not necessarily that we spent so much of our early years roaming the entire city. But I don’t think that that sheltered us from anything. Also, during our frequent trips to Wisconsin, we became well aware that that particular region was an impoverished area; it was hard hit for sure. People were farming and trying to make a living from farming. And we knew a lot of people around there and their circumstances.

Q: Were you and Guy educated in the public school system of Chicago?  
No. We were in private schools. In some ways, I knew that we were incredibly privileged. It definitely makes you think about what you have been given and for me, I always thought that I had a responsibility to venture beyond my own personal needs and desires to help others. That’s how we were raised. We were encouraged to think about ourselves and think about others.

Q: So when you came back in 1992 after your father’s diagnosis….  
Q: And when did he receive his diagnosis?
In 1994.

Q: So was it in 2001 that the two of you took a trip to the Arctic Circle?
Yes. He had a boat and whenever I could go with him, I would. And this was always such a wonderful experience — traveling to places very different from what we were used to.

Q: Did you mother and brother also go?
Sometimes. At that time, everybody was doing different things when he was traveling a lot. I had stopped working at the museum and I was doing contract work and so my schedule was much more flexible. So I tried to go with him as much as possible. And that was his idea — to study the ice flows, masses, and charts.

Q: Do you recall when he created the family foundation?
I was in high school when he started the Comer Foundation. It was in the mid-80s when he started it. We would all get together around the holidays and decide which cause was a good one to give to. We were giving away small amounts then and it was directed to places that we liked, we grew up with.

Q: I am intrigued by your undertaking of the health and climate elements of the Comer family legacy. You mentioned that the visit to the Arctic Circle was somewhat of a directional awakening for your father — so much so that he reached out to individual scientists and contributed liberally to climate change studies. Would you describe this as somewhat of an awakening in this area for you as well?
Both of us were well aware of climate change at that point but it certainly makes a difference to see the actual melting in person. For both of us growing up, the Arctic was a frozen place, locked in ice. When we traveled through the Northwest Passage, we encountered some ice but we had a clear pathway moving forward. I
LEADERSHIP

Q: Did your father’s involvement with his former school and ultimately the onset of his illness also propel you into the areas of children’s health and education?

After my dad died, we continued his work. He always wanted to build a high school in Grand Crossing and my brother took that responsibility on. They just received permission to open a middle school too. As far as health care goes, I think he and my mom made a great contribution with the Children’s Hospital at University of Chicago. I felt that we could do more especially when I began to learn more about the health issues facing children on the South Side.

Q: What roles do you, your brother, and your mother currently have with the ongoing philanthropic endeavors of the Comer Foundation?

My brother is President of Comer Science and Education Foundation and I am President of The Comer Foundation. My mom is responsible for our Chicago area giving from The Comer Foundation. I believe she is VP. We are not concerned with formal titles as you may have discerned.

Q: Do you believe that a true values-based leader is one who can not only build a successful business, but serve the community in ways that surpass offering employment in underserved areas as well as producing quality products for the consumer base? Should philanthropy be part and parcel of true commercial as well as personal success?

Absolutely. I do believe that the Dodgeville community has benefitted in many ways from Lands’ End.
Abstract
The increase in the scale of social, environmental, and economic problems has led to numerous questions and suggestions about the role and responsibilities of business in society with universal calls — emanating from a wide range of stakeholders — for companies to play a greater role in mitigating or solving these issues. Capital budgeting is considered as a possible area in which firms can contribute to mitigating these various socio-economic problems, but such projects must be assessed with new techniques that incorporate not only financial measures, but social and environmental metrics as well. This discussion thus focuses upon the sustainable framework and the development of sustainable enterprises which, arguably, would not be achievable without a values-based leadership approach.

Introduction
The global business community is typically portrayed as the primary culprit of social, environmental, and economic instability. This responsibility has been made even more specific with the United Nations’ Global Compact which aims to make it possible for companies universally to participate in and contribute to tackling various socio-economic problems such as human rights, labour exploitation, the environment, and corruption, as outlined in its ten principles (Kanji & Chopra, 2010). It is also clear that planetary survival depends upon long-lasting and meaningful amelioration of these problems. However, this is possible only with significant active participation of the private sector with businesses that...
demonstrate ethical behavior consistent with good corporate citizenship. It also implies that businesses must then be managed with principled leadership.

This emergent role that stakeholders expect from business further underscores the complexity of the relationship between business and society, and intensifies the ongoing battle between maximizing shareholder value and providing benefits to those entities impacted by company operations (Haugh and Talwar, 2010). Emerging from these issues are new paradigms intended to redefine the purpose of business in society with advanced methods of measuring a company’s social, environmental, and economic performance — *Triple Bottom Line* (3BL) accounting (Brown et al, 2006). In this manner, a corporation’s success is not just measured by the traditional financial bottom line, but also by its social, ethical, and environmental performance (Norman and MacDonald, 2004). It is in this context that capital budgeting can arguably contribute to mitigating some of these socio-economic issues. The following are discussions positioned within the framework of sustainable development and the development of sustainable enterprises.

Enterprises, irrespective of size, are the principal source of economic growth and employment creation and are at the center of economic activity and development in nearly all societies. They serve as vital stimulants that bring about change and progress by ensuring that economies remain dynamic, innovative, and competitive (Baumol, 2002). Given their central role in wealth creation and development, enterprises need to therefore ensure that their core business activities continue to add value and are undertaken efficiently and effectively (Buckley, Salazar-Xirinachs, and Henriques, 2009). This is the basis in which the concept of the sustainable enterprise is introduced. It is directly linked to the general approach to sustainable development articulated by the World Business Council for Sustainable Development (WBVSD) as “forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs” (WBCSD). This approach to development is holistic, balanced, and comprehensive, requiring the integration of all three pillars of development: economic growth, social progress, and environmental preservation and stewardship.

Unlike the traditional perspectives which view enterprises in terms of linear input-output relationships focused solely on maximizing short-term economic value, an integrated approach to sustainable enterprise incorporates a more long-term view. While business enterprises are economic entities attempting to pursue profit through fair competition, many are concomitantly providing needed goods and services through principled processes and leadership. A sustainable enterprise, therefore, has an advanced awareness of the close link between social and corporate development and is expected to create a sustainable society through business activities that comprehensively address economic, environmental, ethical, and social issues (Buckley, Salazar-Xirinachs, and Henriques, 2009). This holistic and integrated approach can therefore be incorporated into capital budgeting.

**Measuring Economic Performance**

Organizations use accounting systems as their main measure of financial performance. The accounting system collects and aggregates financial information for use by internal and external decision-makers including managers, investors, regulators, lenders, bankers, and the public proper. Schempf (1998) contends that accounting systems influence behavior
and so affect management across departments, organizations, and even countries. Accounting information systems are particularly strong behavioral drivers especially where the traditional financial bottom line is the raison d’être of the business enterprise. If environmental and social issues are considered critical factors in daily business management decisions, they then need to be incorporated into the accounting systems of organizations (Schempf, 1998).

As previously cited, traditional financial and cost accounting systems are mainly designed to assess economic performance. In consideration of the urgent call for sustainable development and sustainable enterprises, companies need to include social and environmental measurements when evaluating their performance. Nonetheless, while social and environmental information might be available to some organizations, there are still challenges in effectively linking such information to economic variables (U.N. Division for Sustainable Development, 2001). Consequently, the economic value of natural and social resources as assets is largely ignored. As a result, businesses would need to find feasible methods to incorporate techniques and practices that account for the social and environmental costs of their decisions.

**Capital Budgeting**

The chief determinant of the growth of a company is premised upon the investment it makes today (Higgins, 1998). As companies seek to maximize shareholder value through economic performance, they must manage their inputs in order to optimize their outputs. This requires decision-makers to carefully evaluate how best to invest each business’s resources. A company would want to list the projects and investments it wishes to undertake and decide on which it would accept through a process of capital budgeting (Beck and DeMarzo, 2009). Congruently, capital budgeting is a critical component in a company’s bid to stay competitive, viable, and sustainable, as it helps to inform the pivotal financial decisions that will optimize corporate resources in the long run. The traditional quantitative methods for assessing capital projects involve comparing the cash inflows and outflows so as to determine the overall net cash position from undertaking the project. The most common methods used are:

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
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<tr>
<td><strong>The Payback Period</strong></td>
<td>This method calculates the time taken for the initial capital outlay to be recouped by the investor. Discounting cash inflows at the cost of capital is referred to as a discounted payback.</td>
</tr>
<tr>
<td><strong>Net Present Value (NPV)</strong></td>
<td>This method compares the discounted cash inflows with the cash outflows for the project. The factor used to discount the cash flows is the cost of capital. A project is considered favorable if the discounted cash inflows exceed the cash outflow.</td>
</tr>
<tr>
<td><strong>Internal Rate of Return (IRR)</strong></td>
<td>This is the discount rate at which the NPV is rendered to be zero. A project is said to be favorable if the IRR exceeds the company's required rate of return or hurdle rate.</td>
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<tr>
<td><strong>Break-even Analysis</strong></td>
<td>This is usually used as complementary to the above methods and used mainly to test the sensitivity of certain variables in the project. The idea is to determine the level of sales required before the company would generate a net income.</td>
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While these methods are very useful in assessing the economic viability of a project from the perspective of the financiers, they are weak in assessing the social and environmental cost/impact of the project. These conventional cost accounting techniques as well as aggregate environmental and non-environmental costs in overhead accounts result in latent expenses “hidden” from management. Decision-makers are thus unable to adequately appreciate the significance or value of these non-financial variables with these conventional methods. In fact, there is substantial evidence that management tends to underestimate the extent and growth of such costs (United Nations Division of Sustainable Development, 2001). Ditz, et al (1995), estimates that environmental costs can range from between five to twenty five percent of the total cost of business activities. These costs are likely to rise as pressure for environmental protection increases. As such, incorporating environmental cost directly into accounting systems and business strategies can enhance a firm’s competitive position (Gale & Stokoe, 2000).

A report compiled by White, et al (1995) for the U.S. Environmental Protection Agency revealed that environmental costs, often considered in the financial evaluation of a project, are those that are tangible and quantifiable, such as hazardous waste testing/monitoring, on-site wastewater pretreatment/treatment/disposal, and on-site hazardous waste pre-treatment/treatment/disposal. Alternatively, the environmental costs least frequently considered in project financial evaluation include environmental fines and penalties, corporate image, insurance costs, personal injury claims, marketable by-products, natural resource damage costs, legal staff time, and sales of environmentally-friendly/green products. These costs are generally perceived as less tangible, contingent, and difficult to quantify. The study also noted that in 70% of the firms surveyed, once the costs were quantified, they were included in financial assessments (White, et al, 2000).

From the perspective of internal and external costs, the less tangible expense tends to be the external cost, while the more tangible and quantifiable expenses represent the internal costs. The methods mentioned above for project appraisal are very much biased towards the inclusion of internal costs, as these represent the monetized cost to the financiers. Since external costs do not readily and directly affect the cash flow, they are less likely to be considered. Economists refer to these external costs as externalities as these costs are incurred by society as a whole but not factored into the cost-based value of the product. These external costs that firms impose on society must therefore be factored in profitability calculations and considered in the decision-making process. This process of integrating external costs with private or internal costs is referred to as internalizing an externality. Not only do these ensure the future viability of the firm through more comprehensive assessment of liabilities and risks, it also informs stakeholders of potential health and environmental costs from the organization’s economic activities (Gale and Stokoe, 2000).

**Ethical Implications**

Savitz (2006) explains that increasingly, businesses are expected to find ways to be part of the solution to the world’s environmental and social problems. To partially achieve this requires adopting techniques and policies that incorporate both internal and external costs. Some of these newer techniques would include Environmental Impact Assessments (EIAs), Life Cycle Assessments (LCAs), Full Cost Accounting and Environmental Cost/Benefit Analysis, and Triple Bottom Line (TBL) Accounting.
With this general demand for corporate sector involvement in socio-economic solutions, firms need leaders who embrace a values system of decision-making that enables them to assess all projects in relation to relevant stakeholders. In fact, this values system must become integral to the culture and moral fiber of the organization and uniformly applied across its operations. It also suggests that even board governance has to be approached in this manner to reinforce values-based leadership.

**Conclusion**

Becoming a sustainable enterprise requires a philosophical shift in the firm’s methods of measuring success. Sustainability requires success to be measured in a holistic manner that gives due consideration to an organization’s social, ethical, environmental, and economic responsibilities. Capital spending can determine a firm’s value and future. Therefore, the methods used to assess capital projects are critical. It is imperative that firms make the ideological shift to becoming sustainable but to do so, values-based leadership is essential. Sustainable enterprises can only exist with this type of leadership and given the increasing competitive nature of today’s economies together with intensifying uncertainties, companies that survive will inevitably be those that are operated by principled leaders.

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**References**


Author Biographies

**RON SOOKRAM, PhD**

Ron Sookram, PhD, holds the position of Director for the Centre for Corporate Responsibility at the Arthur Lok Jack Graduate School of Business (ALJGSB), University of the West Indies (UWI), St. Augustine Campus, Trinidad. He also instructs and researches topics in Business Ethics, Corporate Social Responsibility, and Corporate Governance. Prior to joining the ALJGSB, Ron was a Senior Research Specialist for Corporate Social Responsibility and Sustainable Development at the Energy Chamber of Trinidad and Tobago and also served as the Chair of the National Mirror Committee on Social Responsibility (SR) established by the Trinidad and Tobago Bureau of Standards (TTBS) to facilitate the development of the International Standard for Social Responsibility (ISO26000).

**BALRAJ KISTOW, MSC**

Mr. Balraj Kistow is a Lecturer in International Business, Accounting, and Finance at the Arthur Lok Jack Graduate School of Business (ALJGSB). He is also the Director of the Master of Small and Medium Enterprise Management (MSMEM) programme and is currently a DBA candidate at the ALJGSB. Balraj is also a former Utility Regulator and has worked in the financial sector as well. His current areas of research include Sustainable Development, Culture in International Business, and Open and Distance Learning.
Business and Corporate Stakeholders Management: Interactions with an Eminent Expert from the Indian Banking and Finance Industry

Mr. Sanjiv Bhasin
Managing Director, DBS Bank Ltd. India
Former CEO & Managing Director, Rabo India Finance Ltd.

Introduction
Sanjiv Bhasin is and has been the Managing Director of DBS Bank Ltd., India (“DBS” or the “Company”) (Singapore’s largest bank with respect to volume of assets) since September 29, 2008. Under Bhasin’s leadership, DBS was awarded the coveted titles of “India’s Best Small Bank” (balance sheet showing more than or equal to `3,000 crore\(^1\) and the

\(^1\) Historically, Indian financial nomenclature does not use designations of thousands, millions, and billions. Rather, the Indian Rupee (R) is referred to in groupings of 10 – lakhs and crores. However, many international financial standards and exchange rate conversions use groupings of 100. While many Indian businesses are increasingly using lacs as it translates to a direct currency base of 100 (e.g. 17,000 lacs = Rs 17 billion), the majority of Indian financial organizations still use the lakh and crore. Currently, 1.0 Indian Rupee = 0.0203216923905 US Dollar. Retrieved 02-08-2012 from: [http://www.ebearing.com/rupees-explained.htm](http://www.ebearing.com/rupees-explained.htm).
number of branches less than or equal to 10) and “India’s Fastest Growing Small Bank” as per Business Today — KPMG Best Bank Rankings 2010. This distinction was further buttressed when Businessworld—PwC in its annual survey of India’s Best Banks in 2010 acknowledged DBS as the “Fastest Growing Small Bank” (balance sheet less than `30,000 crore). In fact, DBS was the only foreign bank to be top-ranked by Businessworld-PwC in this multi-category survey. This has been a significant achievement for DBS in India where it offers through its 12 branches expertise that makes it Asia’s banking specialist.

Before joining DBS Bank, Bhasin served as the Chief Executive Officer & Managing Director of Rabo India Finance, the Indian subsidiary of Rabobank Nederland. He joined Rabo India on May 31, 2004. Rabobank Group is a full-range financial services provider founded on cooperative principles and is a global leader in Food and Agribusiness financing and sustainability-oriented banking. The Group comprises 174 independent local Dutch Rabobanks, a central organisation (Rabobank Nederland), and a large number of specialised international offices and subsidiaries. Food and Agribusiness is the prime international focus of the Rabobank Group. Rabo India Finance Ltd. is a 100% subsidiary of Rabobank International and has been in India since 1998. It has 80 clients across private and public sectors. Through a wide spectrum of fund and fee-based products and services, it offers sector-specific, knowledge-based customised solutions in the core competencies, i.e., Corporate Banking, Corporate Advisory, Microfinance, Food and Agribusiness Research Advisory, Renewable Energy, and Carbon Credits. It has developed a reputable portfolio in India’s Food and Agribusiness, Life Sciences, Renewable Energy, and Carbon Credits sectors and in managing several turnkey merger and acquisition transactions with India’s leading businesses, including the Tata Group. Its landmark transactions include facilitating the largest global takeover from an Indian company in Food and Agribusiness and the revival of a large dairy with global equity and international supply contracts. The Company received the “Bharatiya Shiromani Puraskar” award from the Institute of Economic Studies (IES) in New Delhi, presented by India’s Minister of State for Planning, M. V. Rajashekaran, during an economic development seminar on December 23, 2006 in Bangalore, India. The award was given to honour eminent personalities and corporations who actively contribute to enhancing the image of the country. Additionally, Basin was individually acknowledged through the presentment of a medal of excellence.

Before joining Rabo India Finance, Bhasin served as the Chief Operating Officer of Hong Kong and Shanghai Banking Corporation (HSBC) India. He began his career with HSBC in 1979. While he worked in various capacities throughout the years, his experience was predominantly acquired in the Corporate Banking, Investment Banking, and Credit and Risk Management divisions in India. Bhasin’s position was of high ranking in London’s Investment Bank in 1988 from where he returned to head HSBC’s Corporate Banking for Western India in 1990. He was made the head of the HSBC Group’s Investment Bank in India and then given additional charge of the Credit and Risk Management and the Corporate and Institutional Banking financial divisions. He was named the Chief Executive Officer of HSBC Mauritius in 1999. After three and a half years in Mauritius, Bhasin was appointed the Chief Operating Officer (COO) of HSBC India.

Bhasin earned his MBA degree in Finance from XLRI Jamshedpur and his Bachelor’s degree in Communications (Honors) from Sriram College of Commerce, New Delhi.
In this interview, Bhasin expresses his opinions on values-based aspects of business and management, including the purpose of business; the role of a business leader; and the obligations of business towards its various stakeholders. The most notable views shared by Bhasin include his firm belief that profits should be evaluated giving full respect to compliance with applicable rules and regulations and that the organisation should be assessed as to whether it is functioning as “a good corporate citizen.” Organisations must have the courage to reward excellent performance and employees must be given sufficient time from the workday to participate in community service. The clarity of thought and the commitment to purpose demonstrated by Bhasin throughout the interview could be attributed to the experience he has gained from working with reputable international organisations over the last 30 years. While he currently heads the DBS Bank, this interview was taken while he was directing business operations at Rabo India Finance Ltd.

In your opinion, what is the basic purpose of business?

The basic purpose of business is to be eminently useful in the environment in which the business is operating. That usefulness should be defined as achieving results, which are found acceptable to all the stakeholders associated with that organisation or activity. In that exercise, different stakeholders would perceive success of the organisation in a different fashion. Therefore, the challenge always remains in having a common medium where all parties collectively believe that they have been successful in achieving the most important and common needs and acceptable objectives.

Milton Friedman wrote in his book ‘Capitalism and Freedom’ and I quote, “... few trends could so thoroughly undermine the foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as possible.” What is your opinion on this?

What you have to accept is that the organisations’ aims and objectives evolve based on the environment in which you operate. What Milton Friedman said was absolutely relevant 15 – 20 years ago, because that’s how the success of the organisation was measured then — in terms of the quantum of profit. It’s only in the last 15 – 20 years that the environment has imposed certain new measures in which success is defined. Those new measures include certain objectives in terms of the society in which you operate and also the preservation of the environment which is a major issue. All these issues put together today are important because the definition of success has changed and the organisation behaviour has amended itself to that changed definition.

If the environment did not change, we would have been the way Prof. Friedman was saying and as the capitalistic environment was. Even in the socialistic forms of governance, success was measured in terms of the quantum of surpluses generated. Communism believed in equality for each and every member of the society. But somehow, they forgot that the people who were there to ensure that equality did something which the capitalists were doing. The capitalists’ methodology was not shared with the society at large, but was restricted only to the top management.

Things change and organisations have to change themselves based on the changing environment and that’s what they are doing now. Regulatory restrictions have now been
brought upon because they have realised that the environment needs to be protected and so there is regulation now for that. Non-conformity to that would mean that you are not following the regulations, which means that you are doing something illegal. That is how things are now viewed in a different perspective.

*Nowadays, Stakeholders Management is becoming increasingly necessary for organisations to adopt. Do you feel your organisation is under such pressure?*

I would say that this organisation (Rabobank) has evolved itself alongside the environment if not ahead of it. Therefore, the pressures have been inculcated and incorporated in the culture of the organisation not causing much difficulty. The internal regulations have been framed so that they reflect the regulations that have been brought forth. In certain aspects of Stakeholders Management, the institution has taken a lead in terms of preserving the environment, in terms of diversity within the organisation and in terms of equality of the employees. So it has taken a lead status in certain aspects of that.

*Would you say that Corporate Stakeholders Management is a part of your organisation’s philosophy or a strategy?*

It has always been a philosophy, which is amending itself so that you remain relevant in the society, and environment in which you operate.

*Profit making is essential for the success of any corporate organisation. In your opinion, what are the factors, which will have to be considered while planning for profits? While financial factors play an important role, please comment on the role played by non-financial factors as well.*

Once you are doing a planning exercise, and as you said financial parameters would be a part of the exercise, you have to be cognizant of the facts as to what the regulations are and how a socially responsible corporate organisation is expected to behave in that environment. Therefore, the profit should be evaluated or budgeted giving full respect to rules and regulations and also to be evaluated as a good corporate citizen.

For example, you can make truckloads of profits if you do not wish to treat the water that you discharge. That is not the way profits must be measured. Profits must be measured in a way that not only you are following all the regulations in the environment that you are operating in, but also you are behaving like a socially responsible citizen at the end of the day. Therefore, even if there is no law regarding certain things, but if you know that they are wrong then you should not be doing that.

*For the industry of which your organisation is a part of, if one were to look at all the CEOs, what do you consider the factors that reflect their successful performance?*

The Critical Success Factors for CEOs in my industry would be:

1. **Customer driven approach** – To be able to visualize the client requirements and to be first on the block to [deliver that] service because the service industry is customer-driven. So, your ability to identify the customer needs and be the first to fulfill it, gives you a head start because in these days of changing technology and the ease with which you could distribute your product or service, the unique selling advantage that you have of the offering is short-lived. So the idea has to be of being ahead and being as quick as possible.
Even if you are not an innovator, you should be a fast copier. So either you are leading at the top of the innovation efforts, or if you don’t wish to be there or you don’t have the capital to be there, then you should at least have an organisation which can copy and which can copy fast because some products and services are not patented, so anybody can do anything.

i. **Robust workforce** – People should have the right skills, the right talent and more appropriately the right training. In the current environment, to be able to service a customer effectively, people should be empowered as well.

ii. **Capital and Infrastructure** – Need for capital and infrastructure in this industry have reached a stage where they are now hygiene factors.

**What would be the core values and culture of an organisation with a stakeholder-focused approach?**

Core values for a stakeholder-focused organisation would be

i. **Respect for the customer**

ii. **Respect for the employee**

iii. **Respect for the environment (which includes regulatory environment as well)**

These three are very important. When you are talking about respect for customers and employees, you are talking about the integrity of the people concerned, which is of paramount importance. If the integrity of the people is questionable and if you are dealing with people by people, then you can never be successful.

**How can the culture of stakeholder focus be continued in the face of changing leadership at the helm of affairs in the organisation?**

The corporate culture is a process of evolution, which gets ingrained into the environment in which you operate. Therefore, a new person coming into the organisation has to feel comfortable with it and then walk in, because if the organisation is not in relevance to the environment or it is contrary to your own internal value systems, then obviously, you are going to have a constant problem. If it is contrary to your internal value system, then the best thing is that you don’t join the organisation. And if the culture is not relevant to the environment, then also you should not join the organisation. The basic backbone of the culture is ingrained in the organisation, but it is reasonably flexible that it imbibes the changes quickly and it adapts to the changes quickly and that is the basic success of any organisation, which wishes to be in business in perpetuity.

Wherever the process of culture doesn’t change or doesn’t encourage change in order to be relevant to the people, customers and the environment, you will see that, that organisation will not have a sustainable presence. This means that over a period of time, it will have significant ups and downs which may be contrary to the market behaviour and then it will adjust itself.

Some organisations are successful because they are able to plan, predict the change and adapt themselves. Others are successful because they can change along with the change. There are some organisations, which are always laggards because they change only when the environment forces them to change. These are the types of organisation which are pushed into the corner and then they rebound. Thereafter it takes them a longer period of
time. But, they may be able to achieve much better results because the cost of the process may be much less.

So, sustainability is a process where people are able to predict change and then also be able to adapt to that. Lot of people can predict change but they are not able to adapt to that. It is no good to be just a change predictor if you cannot adapt to it.

The other way of looking at it is that at least you should have an organisational culture, which allows you to change alongside change. That is equally good because you are keeping pace. If you are trying to be ahead, you could be totally wrong also. There is a risk element there. In addition, there are people who are way behind also. Anyone of these three types of organisations could be successful. Nevertheless, the question is, which is the one you wish to be?

**If an organisation wants to consciously implement a stakeholder-focused approach, certain critical processes are necessary. What is your organisation doing in this regard? Let us start with the customers.**

With the customers, the tendency to over-promise and under-deliver should be discouraged and even penalized within the organisation because that is the starting point of a permanent customer dissonance.

There should also be a rewards and punishment system. While everyone keeps saying that the customer is important, there must be organisational responses to indicate that we value the customer by making sure that the staff respects them. There should be a reward and penalising system so that it gets ingrained in the culture of the organisation.

**What about the employee-related processes?**

With respect to employees, you have to be honest and transparent. Also, you should have the courage and conviction to reward good performance and penalise bad performance. Otherwise what you end up doing is encouraging mediocrity in the organisation and in the long run it is damaging for a sustainable growth. As long as people understand and there is transparency in the reward system, even the so called lesser performers will also pick up. Research has also proven that the best team is the one which has high end performers. The not so good team is the one which has lots of mediocre people.

**What Is It with the Natural Environment?**

There is a need for recognition of the fact that a healthy respect for the environment comes only when you are willing to sacrifice your profit if there is an activity which is damaging to the environment. For doing that, the organisation must respect that decision, rather than saying that the rest of the world is not bothered, then why should we be bothered and do this. There must be a healthy respect for the decision, only then it will be encouraged in the organisation otherwise it will not be.

**What about the government and the regulatory authorities? What would be the processes with respect to them?**

It must be the DNA for the organisation that in whichever environment it operates, there should be respect for all the regulations and implement the same in letter and spirit.
Society is an important stakeholder for any organisation. What would be the society-related processes that an organisation should follow?

The society has evolved itself to operate and behave in a certain fashion, and that behaviour pattern should be respected. If as a corporate citizen you feel that, that behaviour pattern is not the right pattern or not the pattern which is relevant for the future, then the corporate citizen must take upon itself the responsibility to educate that society in what you believe today is not something which is sustainable for the future based on the experiences elsewhere. Not confirming to the society is not the right thing to do. If you feel that there is a need to change the existing pattern then you need to take the initial step forwards to do the necessary thing.

Most of the corporates think that they will allocate some budget for a particular activity. But that I think is not something, which is in short supply and anyone can do that. What is in short supply is managing your employees and giving them time off to contribute something to the society. That is something, which will make a lot of difference.

The shareholders are considered to be the most important stakeholder for corporate organisations. What are the organisational processes with respect to the shareholders?

The providers of capital must be ethical. They cannot expect return or yields from processes or manners of doing business, which are not ethical.

In this vast world, you cannot choose your investors or shareholders. The shareholders are drawn from a varied lot and what is happening in the world over is that a larger proportion of shareholders are institutional investors and they are able to bring about certain ethical practices and that is how it has evolved. There are individual or retail shareholders and obviously, it is not possible to bring that drive that they expect returns based on ethical standards. So it is the changing environment that is trying to determine the behaviour of the shareholders and it is evolving reflective of the environment that we are facing. So, that is where there is lesser and lesser conflict.

The major challenge is where the shareholder and the management is the same. So there you have a classic example that if you choose not to be ethical, it is doable. There is no distinction. In that challenge what is happening is that certain organisations have to conform to certain other rules and regulations. For example if you want to grow and become a listed company. Then there are listing rules and regulations. Then there is a challenge at the small and medium enterprise level. But over a period of time, the SMEs (Small and Medium Enterprises) will tend to copy what the bigger and more successful organisations are doing. When they see that the big organisations are following ethical practices and are able to bring about a qualitative return, then the SMEs would also follow. The process of emulation always starts at the top and then it percolates down. It is all a matter of time.

Have you faced any difficulty in the implementation of the same? Can you mention some incidents / personal experiences, which you and your organisation faced?

Sometimes it happens that you have to conform to certain issues as identified by the parent organisation and these issues may be ahead of the times in the markets where you are operating. For example, quite some years ago, we were asked to conform that the organisation with which we are having any association, is conforming to certain laid down
principles of Corporate Social Responsibility. The customer response to this request was not a very respected one. We couldn’t go to 20 different locations and check whether they are employing child labour or whether they are respecting environmental norms or not. That was the problem then. But, the good thing now is that all the multinational banks by and large require that conformation either in the form of an external audit or the organisation has to make an attempt to investigate either through a question or a written statement or feedback or a visit. This is where we struggled a lot and could not participate in certain transactions earlier. Now it has more or less become the order of the day and the clients are easily acceptable to this requirement because of the change in the environment. For example, if you are an exporter, if you are looking for a private equity investment, you are required to do this. So people have more or less accepted this. Earlier we lost many transactions because we were not allowed to get involved without such conformance.

Any success story, which you could share for Rabobank India or abroad?

We were one of the pioneers for leveraged buyout structures in India. We worked out the first transaction which was the Tata acquisition of Tetley which was a leveraged buyout and thereafter it was done for many other companies. We have not come across anyone else who have said that they were the ones who introduced it. We would like to take credit for that.

Rabobank has always done a lot of work for the agricultural sector even in the parent organisation in Netherlands and that is something very interesting because agriculture is usually the neglected sector. Could you share something about the agriculture experience in India?

The agriculture story in India cannot be called a success story because agriculture in India is not so easy to access for an institution like us. However, agriculture has been a success for an institution like us. We have been able to use the knowledge available within the system for advising central and state governments. In whatever way we could and we can, we continue to do that. While dealing with the governments in small pockets, we are not doing some social work but we are driving the change process. The government will not pay the fees which the private sector pays. But we find these assignments with the governments highly prestigious and something which is challenging and something where our institution can sincerely add value because of our international experience.

What prevents your grass-root level interaction for the agricultural sector?

We don’t have a distribution franchise in India; neither do we have the license to do direct farm lending. Our major work now in general is Investment Banking Advisory and Wholesale Banking.

India has had a spiritual culture and tradition for centuries. An analogy can be drawn between the kings of the yore and the corporate heads of today. It is an established fact that the righteous kings of yore had “Praja Palan” — welfare of all subjects as the primary objective, and not only of those who used to be regular tax payers / provider of funds for the effective functioning of the kingdom. If we extrapolate the same to today’s times, one might rephrase this by saying that the duty of the successful corporate organisations is to ensure the welfare of all its stakeholders and not only of those who provide funds to the
organisation for its effective functioning viz, the shareholders/providers of capital. If you
agree with this, how do you feel can corporate executives implement this “Praja Palan” or
stakeholder welfare in their own capacity?

Even if you take the historical perspective, you have had successful kings with sustainable
growth models and you have had failures. Now also, not only in India but across the world,
there would be people who are successful or even failures. That’s a reality. We have not
reached a stage at the moment where everybody is a success. In terms of the manner in
which corporate executives in their personal capacity can help achieve that is through
believing firstly that, that is the manner in which a sustainable model can be built. Secondly,
he/she should be able to convince the organisation, because if the organisation is looking at
quick returns and quantum returns in a very short span, then that itself is not possible. What
is required is a belief that we are going to run a business, which is sustainable over a period
of time. If you believe in the sustainability of business, then you can have a concept of this
nature prevail. We have seen that wherever there is a predominance of a stakeholder in
bringing about a higher degree of influence on the manner in which that corporate citizen
should behave, that kind of influence has led to the organisation’s failure. There are many
examples, which you can take for this. In the USA, you have had Enron, WorldCom, etc. and
that has come out of a simple term called “greed,” which is either from the shareholders or
from the employees or the senior management. It is proven beyond doubt that such
behaviour leads to such kind of results. It happens many times that it gets arrested midway.
If there is a collective commitment at defining success, which has the approval of all the
stakeholders in an equal proportion or fashion, you will end up having a sustainable growth
pattern. Any incident where a stakeholder’s interests are compromised for a period of time,
you will see that instability will emerge in that business model. The advantage here is that
the market is so large that you cannot influence it. That market will discover and throw out
anomalies which give you advantage for a few years but it cannot give you a sustainable
advantage lifelong if it is not in line with certain laid down principles.

How can you arrive at common consensus across all the organisational stakeholders for the
common success parameters?

There is a value system, which the organisation portrays and that is the value system, which
is agreed to and accepted by all the stakeholders. There is no compromise to that and
everyone believes in that. That is what all the stakeholders want to achieve together.

The Father of the Nation - Mahatma Gandhi, vehemently advocated the concept of
Trusteeship wherein every individual is a trustee or a custodian of the wealth he/she owns
and the wealth has to be used to the extent possible for the welfare of all. This philosophy
owes its origin to all major religions of the world – Hinduism, Jainism, Judaism, Islam,
Christianity, Sikhism, etc. What is your opinion on this?

The manner in which Mahatma Gandhi enunciated Trusteeship is a concept which is entirely
too idealistic. To be able to believe in that concept and then to be able to put it into practice
in your life requires a degree and quantum of sacrifice for which I don’t think the society is
ready at the moment. It hasn’t evolved itself to that stage. Therefore, any citizen or
corporate citizens across the globe can at least follow some of the basic principles of
Mahatma Gandhi; that itself should be enough.
This is exactly in line with what you said that this would be possible if you look after all the stakeholders’ welfare and everybody believes that. But, in my opinion, it is a question of the degree of practice. I think one should never shy away from the fact that capital is needed. And capital is created through profits. What we are saying at the end of the day is that the profit which you create should be by ethical means. This is very important. Without profits, you can’t have capital and without capital you can’t grow and can’t do anything for anyone.

Ethics also is an ethics of evolution. A generation ago, nobody visualized that the pressure from the environment will be of such a high degree that laws and regulations will have to be framed and implemented to preserve the environment. The previous generation never thought that you will fall short of water. Now it has become a reality and people are reacting and it is becoming a reality now.

Interviewer/Author’s Biography:
Dr. Shashank Shah completed his Ph.D. in the area of Corporate Stakeholders Management from the School of Business Management, Sri Sathya Sai Institute of Higher Learning, Prashanti Nilayam, Andhra Pradesh, India in 2010 and was awarded the Association of Indian Management Scholars International Outstanding Doctoral Management Student Award 2010 at the Indian Institute of Management Ahmedabad in 2011. He was also awarded the HR College Golden Alumnus Award by the Honourable Sheriff of Mumbai for his outstanding research achievements in 2011. He has been awarded the Governor’s Gold Medal for standing first at the Master of Philosophy in Business Management Programme in 2006 and the President of India Gold Medal for standing first at the MBA Programme at the University in 2004.
He has published over 55 research-based papers in reputed national and international journals and conferences in the areas of Corporate Governance, Corporate Social Responsibility, Corporate Stakeholders Management, and Values-Based Education. He has also co-authored 4 books in the areas of Corporate Social Responsibility, Corporate Stakeholders Management, and Integral Education. He has compiled and edited 12 books and 2 monographs in the areas of Indian Culture, Spirituality, Values-Based Management, and Education.
Currently, Dr. Shashank is a Post-Doctoral Fellow at the Department of Management Studies, Sri Sathya Sai Institute of Higher Learning. He is also the Coordinator and Editor for the University Hostel Publications Division. Email: shashankjshah@gmail.com. Contact: +919441034682.

Dedication
The author humbly dedicates this endeavour to the Revered Founder Chancellor, Sri Sathya Sai Institute of Higher Learning – Sri Sathya Sai Baba. He would also like to thank his parents – Mrs. Shefali Shah and Mr. Jagesh Shah for their loving support in all endeavours.

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Background: Looking Back

In this paper I argue that a shift in attitude is required for leadership to become values-based in the sense of conducting business ethically. Thus, I am proposing that there is a “certain” (Hester, 1975) subjectivity that lies just underneath our ethical decision-making. Understanding this subjectivity (our attitudes and biases) is fundamental if leaders are to become more rational in their decision-making and problem-solving. This is often neglected in leadership books as formulas and steps to leadership success seem to be the “meal of the day.”

Ethics has a long history. It was Aristotle who early on introduced the idea of ethics as virtue. Since that time, scholars have tried to understand what he meant by “virtue.” In Aristotle’s *The Nicomachean Ethics*, reality is found in the unfolding process of ideas and things. It is, discovered in a life well lived and thought of as an unfolding process of ideas and human behavior. It is a continuous development from potentiality to actuality where the moral ideal is found in the structure of human nature. Aristotle uses the word *hexis* to signify this process of movement from the subjective to the more rational and objective. *Hexis* is not a passive behavior, but rather is an active condition of moral awareness. In contemporary jargon, to be moral is to give more than lip service to ethical principles. It means “putting feet” on those principles in everyday decision-making (NE, book 10, ch. 5).

Therefore, in Aristotle, we cannot understand “virtue” without adding that virtue is both an attitude and a behavior. In this sense, virtue indicates a cognitive and emotional equilibrium — a balance in one’s life that enables ethical choice. This is what is meant by “character” — our innermost values exercised with courage, commitment, and reason. Achieving good character is a process in which we continually adjust ourselves to the realities of living. We
are challenged in both our personal and social behaviors to find a balance between our unethical ideas and behaviors and those that serve a greater good. Aristotle observes that...

_Virtue, then, is a state of character concerned with choice, lying in a mean, i.e., the mean relative to us, this being determined by a rational principle, and by that principle by which the man of practical wisdom would determine it. Now it is a mean between two vices, that which depends on excess and that which depends on defect; and again it is a mean because the vices respectively fall short of or exceed what is right in both passions and actions, while virtue both finds and chooses that which is intermediate_ (NE, book 2, ch. 6).

According to Aristotle, moral courage depends on the circumstances. For example, more courage is expected of the soldier than of the artist. And, it can be said, based on Aristotle’s conception of virtue that more courage is needed of a leader – in business, education, politics, and religion, etc. – than those who unthinkingly follow. Circumstances and reason together enter into the determination of what conduct is virtuous. Moral virtues require both time and experience for their execution.

The theme of this article is fundamentally that values-based leadership requires a shift in attitude. Businessman H. Darrell Young (2004) says, “Our values determine to a great extent what we believe and our beliefs determine how we think, feel and behave. Decisions don’t determine outcomes; the beliefs that drive the decisions determine outcomes. To change outcomes you must change the way you think.” Thus, although we plan and strategize, organize and direct, it is important that the attitudes that lie just beneath the surface of an organizational leader’s purposes and mission are unearthed.

We get support for this idea in the feminist ethics of care that was developed in the 1980s. Culturally and intellectually, much of this development was a product of an ongoing feminist movement and as a reaction to psychologist Lawrence Kohlberg who identified six stages of moral development. Kohlberg followed the development of moral judgment far beyond the ages studied earlier by Piaget, who also claimed that logic and morality develop through constructive stages. Dissatisfied that reason or the ability to reason logically is the ultimate authority in ethics, the feminist ethics of care recognized that there are certain affective or subjective commitments that precede any ethic.

Nel Noddings (1984), a contemporary exponent of an ethics of care, has pointed out that caring should be a foundation for ethical decision-making. The observation that undergirds her conclusions is that care is basic in human life and that all people want to be cared for (Noddings, 2002). She locates her position, not in ethics, but in the experience of women and in “a longing for goodness that arises out of the experience or memory of being cared for” (Flinders, 2001). In her words, an ethics of care is built in relationships characterized by “receptivity, relatedness and engrossment.” In his book, _Leadership under Construction_ (2004), H. Darrell Young makes the point that cultivating relationships is the key to linking members of a business to the business’s performance. He says, “Focus on the needs of people, seek unity and inspire trust, influence others and create meaning, and build reciprocal relationships.” For Young, these are foundational to organizational success.

Returning to Aristotle’s idea of virtue, we discover that “the person of good character loves with right desire and thinks of an end with right reason.” According to Aristotle (NE book 2,
“It is only in the middle ground between habits of acting and principles of action that the soul can allow right desire and right reason to make their appearance, as the direct and natural response of a free human being to the sight of the beautiful.”

Without grappling too much with Aristotle’s phraseology, because his culture was indeed different than our own, we want to make the point that leadership is a vital component of both individual and institutional life, and that ethical leadership is the life-blood of a democratic culture. It is important, therefore, to examine the “subjective” or “attitudinal” commitments necessary for values-based leadership in the ethical sense. These follow under the heading “Adjusting to Our Biases.”

An Ethics of Care

In 1992, John Grey published Men are from Mars, Women are from Venus. Although a light-hearted book about human relationships, this book prompted average citizens and the media to examine the differences between males and females seriously. When Grey published his book, feminism, as a movement, was at least a century old and a feminist ethics of care, although only about a decade old, had its roots in the larger feminist movement.

We find in the history of Western Civilization that most ideas and theories about morality and human relationships have come from men. The Bible and Qu’ran are definitely male-oriented, written, edited, and for the most part, interpreted by men. Early Greek thought was male-dominant. The ideas from the Renaissance and Enlightenment predominately came from men. This was a period of two to three hundred years that witnessed an explosion in art, writing, science, and mathematics, as well as the beginnings of the Industrial Revolution. This was the time of Jean Rousseau, Emmanuel Kant, and John Locke whose views concerning liberty and the social contract are a part of the underpinnings of the American Declaration of Independence.

In ethics, men have influenced both sociological development in communities and economic theories. From Adam Smith to John Maynard Keynes, economic theory has mainly been male-oriented. Embedded in these theories are the ethics of contracts, rights, and justice. Ethics became oriented to defining “what is good” and “what is bad” behavior. Logic and reason was its guide. But this would eventually change. As the modern feminist coalition grew out of the early suffrage and temperance movements, questions were formulated: questions about male power — that is, domination and subordination — and questions about good versus evil, care versus justice, and maternal versus paternal thinking. As it developed, the feminist ethics of care incorporated these views and gave them a foundation in love, compassion, and the importance of caring relationships. This was also known as the “Eve Factor,” about which Steve Walters says, “I say if you want to destroy a nation of people, you need to destroy the males, but if you want to destroy the moral fiber of a nation and cause it to become self-destructive, then you must reduce and defile the role of the female.”

The feminist ethics of care still hasn’t reached its goals. Although many people think that liberal feminism is passé and that the ethical issues that preoccupied it have been resolved, truth be told, as of 2009, the Bill of (Women’s) Rights proclaimed by NOW in 1967 in the
United States has yet to be fully implemented. In the United States, women’s reproductive rights are still not secure and the Equal Rights Amendment failed to pass. Moreover, in 2008, the average U.S. female worker still earns about 20% less than the average male worker (Maher, The Wall Street Journal, 2008); only 17 of 100 U.S. Senators are women (Confessore and Hakim, NYTimes, January 21, 2009); and as of December, 2008, only 13 Fortune 500 CEOs were women (CNNMoney.com, 2009). If the goal of liberal feminism is to push for equal rights for women, then its work is far from done. Women tend to do mostly dependency work — the work upon which Eva Feder Kittay (2003) focuses — and, in the public world, that caregiving work is some of the lowest-status, lowest paid work to be had. (At least, under this administration, we celebrated the passage of the Lily Ledbetter Act¹ (2009) and the addition of two females to the Supreme Court).²

Tom Beauchamp and James Childress (2008) offer support for an ethics of care that emphasizes values such as gentleness, sympathy, and genuine caring. They point out that this ethic focuses on the virtue and integrity of women and is primarily concerned with interpersonal relationships. Many, both women and men, believe these values have been devalued and are deemed irrelevant to the public world where self-rule and power thrive. Kittay says,

“Carol Gilligan, a feminist theorist and psychologist, presumes that the morality of women is merely different from that concerning men’s and that it is not at all inferior as her male counterparts claim it to be. She profoundly opposes the theories of moral development devised by her colleague, Lawrence Kohlberg, who only confined his study to males. His study neglects a woman’s ability to possess self-legislated ethical dogma.”

Gilligan maintained that an ethics of care is an essential component of ideal moral thought. Children must be taught to “value their hearts over their heads.” According to Gilligan, women and children may exhibit more moral depth than men, but if women are to tolerate the impersonal and rational principles anchored in the “ethics of justice,” they might as well become merciless, heartless brutes (e.g., recent, shocking decision by a federal court female judge who proclaimed that employers should be able to demand of all its employees sole allegiance to the company and that a firing for taking time off to have a child is perfectly understandable as long as both genders are treated equally. Of course, the provisions of the FMLA³ would conflict if a larger company with at least 50 employees was involved). She emphasizes the idea of involving emotion in moral judgment and believes that traditional ethics undermine rather than promote individual moral ability and agency.

because the direction of traditional ethics is impersonal and merely focuses on management and control. Thus, she says, it doesn’t uphold individual integrity. Supporters of an ethics of care often point out that competition and self-interest dominate the male features of ethics but an environment based on interfamilial relations and mutual communication is one where an “ethics of care” will be embraced by its people. In the male dominate ethic, sensitivity and kindness have never been equated with human goodness. Yet, it still seems that rationale and intellect overpower these feminine aspects in a male-dominated world.

“Virtue” is often used to mean “an ethics of care.” This is a post-Enlightenment usage and of course some nineteenth century thinkers denied that virtue is or should be the same for both sexes (White, 2011). During the eighteenth and nineteenth centuries, a wide variety of thinkers including Mary Wollstonecraft, John Stuart Mill, Catherine Beecher, Charlotte Perkins Gilman, and Elizabeth Cady Stanton addressed topics related to “women’s morality.” Each of these thinkers raised questions such as: Are women’s “feminine” traits the product of nature/biology or are they instead the outcome of social conditioning? Are moral virtues as well as gender traits connected with one’s affective as well as cognitive capacities? If so, should we simply accept the fact that men and women have different moral virtues as well as different gender traits and proceed accordingly? If not, should we strive to get men and women to adhere to the same morality: a one-size-fits-all human morality? Often, they provided a separate-but-equal theory of virtue according to which male and female virtues are simply different. Diverse groups of thinkers disagreed among themselves about how to assess the characteristics typically associated with women. These are nurturance, empathy, compassion, self-sacrifice, and kindness. The utilitarians especially (Bhaskar A. Shkla, 2008) asked whether these “female” or “feminine” traits are: (1) genuine moral virtues to be developed by men as well as by women; (2) positive psychological traits to be developed by women alone; or (3) negative psychological traits not to be developed by anyone.

The feminist ethics of care makes a strong case: that empathy and sympathy — the emotional part of our lives — ask us to pause and think not only of rights and justice, fair play, issues of honesty and integrity, and the ability to trust and be trusted, but of the personal dignity and integrity of the person or persons we address. The rationale for including the affective with the logical when defining the “point of view of morality” is tempered as much by feeling as by reason and is a strong indicator of an ethical community. And although the language is different, the amalgamation of an emphasis on justice and rights with that of love, forgiveness, and care are measures of personal civility and ethics. As Gilligan says, “… women are humane and acknowledge the fact that genuine impartiality requires emotive input in ethical reasoning and assessment. In order to judge morally, we must identify emotionally with the individual to make sense of his or her motives that triggered their actions.” In other words, we must stop and ask, “How do you personally feel about ‘that’ and why?”

Ethics from the Inside Out: Looking Forward

Sara Ruddick, Virginia Held, and Eva Kittay have much in common with Gilligan. They emphasize that human relationships are not between equally-informed and equally-powerful persons but between unequal and interdependent persons. When a parent relates to a child, or a self-confident and well-adjusted adolescent to a depressed and distraught friend,
for example, they do not relate as two business persons do during a contract negotiation, but as two differentially-empowered people trying to resolve an issue of mutual concern. Ethics should be built on a model that fits life as most people experience it on an everyday basis. And this is as true for institutions and businesses as it is for individuals. It is not the concepts, metaphors, and images associated with the practice of contracting, they say, but those associated with practices like parenting/mothering that best express the dynamics of moral life.

The ethics of care has important implications for business practices, especially emerging concepts of leadership as relationship based. According to Kevin Cashman (2008) and Peter Senge, (1990), character is about “growth toward wholeness.” It is about appreciating our strengths and developing the undeveloped sides of us. It is leadership that stems from our values and beliefs, transformed into purpose and mission. Cashman comments, “Character is the essence, the being of the leader, which is deeper and broader than any action or achievement. It is the essential nature of the person. . . . The purpose of character is to transform and to open up possibilities and potentialities. Qualities of character include authenticity, purpose, openness, trust, congruence, compassion, and creating value.”

Both Cashman and Senge are echoing themes we discover in an ethics of care. These themes are person-based and person-focused. They have originated in experience and, as Sara Ruddick (1984) points out, should properly be valued by society. Ruddick notes the importance of understanding “maternal practice” as a foundation for developing leadership competence. She points out that like any human practice, maternal practice has its own form of thinking with a vocabulary and logic peculiar to it, as well as its own aims and goals.

In the case of maternal thinking, these consist in the preservation, growth, and acceptability of one’s children (Ruddick, 1989). Preserving the life of a child is the first aspect of Ruddick’s maternal practice. No human being is, on the surface, more vulnerable than an infant. Infants cannot survive unless someone feeds, clothes, and shelters them. She points out that in order to be able to treat their children well, even on bad days, mothers need to cultivate virtues like scrutiny (the ability to see things in perspective), humility, and cheerfulness. Equipped with these virtues, those who mother others will be emotionally equipped to handle adversity more readily than those who aren’t.

The second aspect of Ruddick’s maternal practice is fostering children’s growth. To foster a child’s growth does not mean to impose some sort of ideal life script on one’s child. Mothers should not try to make their children perfect. Rather, mothers should help their children realize that what is important in life is trying to be a better person despite one’s weaknesses and foibles. Connecting this idea to a business framework, we should point out that a role of leadership is building a mentoring environment. As H. Darrell Young says, “Great leaders don’t divest of themselves and invest in others to develop a few good followers; rather, they divest and invest to create a successor generation of leaders.” Thus, fostering the growth of future leaders is a leadership responsibility.

The third and final aspect of Ruddick’s maternal practice is training. Typically, mothers work diligently to socialize their children — to help them become law-abiding citizens. But there are times when conscientious mothers refuse to conform to society’s needs or expectations. For example, a conscientious mother may refuse to get her son ready to fight for an unjust cause or to diet her daughter down into a size zero designer jeans. She may find herself
caught between the values of a competitive, power-obsessed, individualistic society on the one hand and her own inner conviction that these values are fundamentally flawed on the other. If a mother trains her son in the ways of the world, he may gain success in it, but he may also become an arrogant employer who runs roughshod over his employees. In contrast, if a mother raises her son to be a “nice guy,” he may grow up a “loser” in society’s eye. Ruddick says that a conscientious mother must decide whether her values or those of the larger society should guide her child-rearing practices. Is it more important that her child adhere to social norms or critically question them?

Like Ruddick, Virginia Held (2006) finds in the relationship between mothering persons and children an excellent paradigm for human relationships in general. Held is concerned that traditional ethics not only discounts women’s morality but presents what amounts to men’s morality as gender-neutral morality. She claims that if traditional ethics were really gender-neutral, it would not favor paradigms — for example, the contract model — that speak far more to men’s experience than to women’s. In Held’s estimation, too many traditional ethicists bless a human relationship as moral to the degree it serves the separate interests of individual rational contractors. Yet life is about more than conflict, competition, and controversy and about getting what one wants. It is, as mothering persons know, also about cooperation, consensus, and community — about meeting other people’s needs. Held speculates that society might look different were the relationship between a mothering person and a child — rather than the relationship between two rational contractors — represent the paradigm for an ethical relationship.

Held insists that her advocacy on behalf of maternal ethics does not indicate a wholesale rejection of traditional ethics. Mothering persons must be just, as well as caring; critical thinkers as well as emotionally-sensitive persons; able to make generalizations about human relations as well as to bring out their unique characteristics. Like principles, relationships are subject to evaluation as good, better, or best (bad, worse, or worst). If bad principles should not be followed, then bad relationships should not be maintained. Asked whether it is CARE or JUSTICE that is the most fundamental human value, Held does not hesitate to answer that it is care. As she sees it, care can exist without justice but justice cannot exist without care. Held says that care is our first survival principle.

Similar to Ruddick, who speaks of maternal thinkers, and Held, who speaks of mothering persons, Eva Feder Kittay (1999) seeks to avoid the charge of female essentialism (the doctrine that things have an essence or ideal nature that is independent of and prior to their existence). Her feminist care ethics refers to “dependency relations” and “dependency workers” rather than “maternal relations” and “mothers.”

According to Kittay, the dependency worker is obligated to the dependent because she is best suited to meet the dependent’s needs. For example, the source of a mother’s moral obligation to her infant is not the rights of the dependent person as a person, but rather the relationship that exists between the one in need and the one who is situated to meet the need. Importantly, Kittay claims that the dependency relation paradigm can and should
guide public policy about human equality. In her view, we are all equal because we are all the product of one or more mothers'/dependency workers’ labor. Because everyone is some mother’s child, everyone has the experience of being dependent on someone — indeed radically dependent on someone — for mere existence. It is only fair that society takes care of all its dependency workers, including its official mothers.

In summary, a feminist ethics of care reminds us that we can discern whether persons are people of character by how much they care. Caring exhibits both our respect for others and our concern and compassion for their lives. Attitudes are important to ethics and leadership. We discover in a feminist ethics of care not a disparaging of reason and objectivity, but a lifting of care and compassion, love and genuine concern for others as a foundation of values-based leadership. This theme is echoed repeatedly:

According to Thomas Merton (1998),
“Compassion is the keen awareness of the interdependence of all things.”

Arthur Jersild (1927) says,
“Compassion is the ultimate and most meaningful embodiment of emotional maturity. It is through compassion that a person achieves the highest peak and deepest reach in his or her search for self-fulfillment.”

And Felix Adler (1918) reminds us,
“To care for anyone else enough to make their problems one's own is ever the beginning of one's real ethical development.”

The major points we gather from an ethics of care are (Hester, 2003; Young, 2004):
(1) that we need to see things in perspective,
(2) that fostering growth in families and other organizations is a priority,
(3) that socialization and training in ethical decision-making ought to become a consistent practice,
(4) that ethical relationships should be cultivated in and throughout any organization,
(5) that care and compassion ought to be coupled with fairness and equality among members of any organization,
(6) that all of us, leaders and the led, are dependent on others, and
(7) that concern and respect for others should become a top priority in families, schools, governments, and businesses.

Adjusting to Our Biases

In his essay on “moral objectivity,” Hallvard Lillehammer (2001) begins with the following sentence, “I believe in ethical, moral objectivity.” We notice right away that Lillehammer begins with “belief,” not with reasoned or scientific knowledge as his foundation. He reasons that moral objectivity must admit to the possibility of moral knowledge being right or wrong, based on correct or incorrect information. In other words, he recognizes the various subjective commitments that form the foundation of the moral point of view. He says, “Ethical claims are objective if it is possible for agents who make them to do so correctly or incorrectly. Objectivity in this sense implies the possibility of moral error.”

We should understand that biases are the lens through which we interpret our world. They allow us to view the world but with the possibility of error, discrimination, and poor judgment.
In my own doctorate dissertation in 1973 — “Why Should I Be Moral?” Sense or Nonsense, a Meta-Ethical Examination — and later in the journal of Philosophy and Phenomenological Research (Vol. XXXV, June 1975, N0 4, “Subjective Commitment and the Problem of Moral Objectivity”) — the point was made that if we are willing to reason morally, then the element of choice need not upset the objectivity and rationality of moral reasoning. I argued then as I do now that to be ethical there are some subjective decisions to be made; namely, the decision to use reason and reconsideration in our decision-making, the decision to be level-headed and prudent, and the conscience decision to have some expressed concern, care, and compassion for others. But, as I pointed out in 1975, it is this willingness that more often than not causes problems. We cannot coerce others to be moral through rational means only, perhaps not at all. For this reason, I maintain that values-based leadership requires a shift in attitude. As Robert Firth argued in 1962, “...there is no way of rationa lly resolving fundamental moral disputes, for fundamental moral judgments or ultimate moral principles cannot correctly be said to be true or false independently of the attitudes of at least some people.”

Thus, when we speak of such attitudes as care and compassion, our argument for a values-based leadership falls on the problem of subjectivity; namely, ethical or perhaps psychological egoism — that we ought or that we do always act in our own self-interest. This seems to be the mantel of many in government and in business nowadays. The core of the subjectivist’s point of view is a theory of indeterminacy which postulates the arbitrariness of the emotions, and thus, as Abraham Edel says, that “...there is no moral bridge to break the individual’s isolation. In short, that there are no common moral questions and above all, no common moral answers” (1955). This is a subjective point of view and those who adhere to a subjectivist ethic only believe that, in making moral judgments, people are doing nothing more than expressing their own opinions (Rachels, 1993). But a feminist ethic of care is more than this; it is based on sound psychological research, albeit, research that has uncovered an attitudinal component of ethics.

It is a truism that we all have moral opinions, but ethical subjectivism doesn’t really entail that nothing is right or wrong or that nothing matters. As Rachels says, “Being a subjectivist only means that you have a particular philosophical understanding of what such views come to... A serious problem is that simple subjectivism cannot account for the fact that many of us disagree about ethics” and “that we can sometimes be wrong in our moral evaluations. None of us are infallible.” I would argue that a purely subjectivist ethics pulls up too short of becoming a legitimate ethical theory. To include statements about inner attitudes and feelings into ethics is where we begin, not end our moral evaluations and decision-making. Any kind of value judgment must be supported by good reasons and must maintain internal consistency. That we talk about attitudes touches our human, familial nature, and that we use reason creates the possibility of cognitive understanding.

In this sense, values-based leadership is both subjective and objective, and there can never be anything that approaches total objectivity. Does this leave us in a morass of subjectivism and relativism where personal decision is king and values are ultimately arbitrary? Much of the attitudes of leaders in today’s world are reflected in the poem quoted by Abraham Edel:
Understanding the subjectivity that lies behind a rational morality, what can we do to become more rational in our decision-making and problem-solving? Kai Nielsen (1964) has warned us, “...there is no way of rationally resolving fundamental moral disputes, for fundamental moral judgments or ultimate moral principles cannot correctly be said to be true or false independently of the attitudes of at least some people.” He believes that morality depends on what sort of a person one happens to be, that morality rests on the decision of the person who is moved by reasons to behave in one way or another (Aiken, 1952).

To move beyond the purely subjective, we argue that if a person is willing to reason morally, then the element of choice need not distress the objectivity and rationality of moral evaluation. In this, the human element is not negated, only enhanced – even being rational involves a basic human commitment. There are four identifiable, subjective (personal, attitudinal) commitments that need to be made to retain some element of objectivity in our moral considerations (Hester, 1975). These commitments will not resolve problems associated with irrationality, egoism, and relativism, or abject subjectivism, but recognizing them just might give us a heads up so that a shift in attitude — values-based leadership — praised by many as compassionate and reasonable, might avoid more extreme ethnocentric traps.

To put this another way, if values-based leadership depends on what sort of a person one happens to be, then what sort of a person is it who is able to reason objectively concerning the foundations of the common values we seek as people of ethical integrity? There are at least four commitments to be made that will separate us from ethical arbitrariness. Because this requires a “look inside,” this will be, as Kevin Cashman argued, “leadership from the inside out.”

1. **To be rational involves a commitment to being consistent in both thought and action.**
   This is a minimum necessity for explaining and justifying one’s beliefs and moral commitments. Reason is a universal language. When people are irrational, they cannot communicate with one another. Understanding behavior that appears inconsistent, irrational, and purely arbitrary is clearly impossible. When we lie or misrepresent our deepest values — be they moral or ego-oriented — others will no longer trust or follow us. A leader who falls into this trap will soon become a leaderless-leader.

2. **A values-based leadership also requires that leaders be prudent.** Prudent reasoning is characterized by calm, deliberate, informed judgments about decisions and organizational problems. A prudent leader and one who has made a subjective commitment to being consistent in thought and action, will be willing to seek out the best means to her or his ends. Clear understanding will also be a goal as the leader will desire
that the led buy into his or her vision and mission. Finally, prudent reasoning gives careful consideration to the probable consequences of an action or policy and will seek input from others on the various options open for resolving a troubling situation.

Prudential reasoning is not a sufficient condition for reasoning morally, but it is a necessary condition. The problem of moral reasoning is also a problem of supporting our values or justifying the beliefs and rules leaders lay down for all to follow. This is not a moral problem, but lies outside of morality as an activity of appraisal. This activity should be ongoing in any organization and requires leadership commitment to maintain an even flow of information and dialogic interaction.

3. **We must care for others.** This third commitment we must make for not only supporting our value commitments, but for living moral lives. The feminist ethics of care cautioned us that we must care for others; that an attitude of care is the foundation of ethics and of ethical leadership. This is where subjective commitment and a values-based leadership begin to overlap. One must be careful: some leaders will appear to act morally, but only for selfish reasons. The ethical person will make a minimal commitment to care for and respect others. This minimal commitment is a key subjective foundation for moral leadership.

Thomas Mayberry (1970) argued that “Obligation frameworks (moral codes, etc.) may be criticized, justified, and corrected by reference to shared moral understandings which begin with the sharing of deep attitudes and judgments toward and concerning animals and human beings and their interests and concerns. This shared understanding may be extensive or meager but it must exist. ... A moral framework can be justified by reference to shared attitudes of respect and concern for human beings and other living creatures which infuse many of our concepts with moral significance. These concepts constitute a common ground and a common bond which makes evaluation of a moral code possible.”

4. **We must commit to the principle of reconsideration.** For the moral leader to be objective and fair, s/he has the responsibility to consider and then reconsider his or her own value commitments and those other relevant commitments of others, to reconsider, to compare, to adjust and readjust them, and then to apply them in his or her workaday world.

**In Conclusion**

I began this essay with the idea that values-based leadership requires a shift in attitude and that this shift will be non-rational (subjective, but not irrational in the sense of ignoring reason, prudence, and the advice of others). Values-based leadership comes down to a simple question: “What kind of person do we really want to be and what kind of organization is it that we wish to shape?” Of course we want to be functional, productive, and profitable wherever we are. We want to be successful and we have a desire that others trust us for who we are and that our behaviors reflect this and are neither arbitrary nor deceitful.

We can jazz up “value” with all kinds of sociological and psychological theories and applications. We can translate “value” ethically or non-ethically. I believe that when we talk about “values-based leadership,” we are referring to ethical values rather than to unethical ones. If we are not, then it makes no sense to use the term for “values-based leadership” is
then referring to a particular kind of values’ understanding that value is a common term applicable in all kinds of situations and to all kinds of people — moral and immoral ones.

And so I argue for a “shift in attitude” among values-based leaders, a shift that requires the four subjective commitments mentioned in this essay if ethical decision-making is ever to gain a foothold in the leadership community. Will total objectivity ever be possible? No it will not. Can we pursue moral objectivity with some reasonable hope that it will bring moral leadership back to a balance — to use Aristotle’s term — where leaders and followers can exist in some moral harmony where mutual expectations are not unreasonable? I think we can, but this will require our dedication to certain ethical ideals.

Philosopher Kurt Baier (1965) has pointed to the purposes of ethics as that of seeking “the best possible life for everybody, and that the best possible life for everybody,” he says, “cannot be achieved in isolation but only in social contexts in which the pursuits of each impinge on the pursuits of others.” He argues for a reasoned ethic which takes into consideration the various subjective attitudes and commitments of others, noting that all people have a right to pursue their own happiness and goals and when these impinge on the happiness of others, from the point of view of morality, we are required to modify our impulsive behavior by “observing certain rules, the genuinely moral rules.”

Values-based leadership cannot progress without some sort of (subjective) commitment to these principles provided that there is communicative openness within the organization and outside with those seek the organization’s services. Dialogue is the necessary ingredient in this formula. Our humanity identifies our subjectiveness. It seems that historically we fall far short of treating people equally unless we commit ourselves to standards that are set universally (the same for all) in our families, schools, businesses, and in our nation. Ethics is a phenomenon peculiar to humans as far as we know. It is as Wittgenstein (1984) said that things of this world can only become valuable as humans attribute values to them. It can be said that in matters of ethics and morality, moral values can never be found inherent in states of affairs or events without humans to value them. Being human, moral values are basically subjective in terms of origin. To change leadership into “values-based leadership in the moral sense” requires then a “shift in attitude” or a subjective commitment to (1) reason consistently, (2) reason prudently, (3) a shared concern and care for others, and (4) a commitment to reconsider our actions and behaviors in light of other relevant information from inside and outside our organizations and businesses.

The argument is simple: we humans contribute value to many things. Moral values are those that define human relationships and affect others either positively or negatively, whether they are simple friendships, political or governmental decisions, or decisions of businesses. The major contribution of the feminist ethics of care was to demonstrate that attitudes — love or hate, compassion or indifference, trust or suspicion, etc. — lie at the heart of all decision-making. At the center of moral decision-making lie commitments to care, compassion, trust, and benevolence. These are the definitive qualities of a moral person and foundational for any rational ethic. These attitudes are where we begin, not end, moral discussions.

Applied to businesses and other organizations, they are the sustaining spirit of a values-based leadership. This is why a values-based leadership requires, not more formulas, charts and procedures, but a shift in attitude. Our world is as Fritjof Capra (1989) said, “...a
network of relationships; a web of relations between various parts of a unified whole. ... Life is understood and exists through mutually consistent relationships; the consistency of this interrelatedness determines the structure of the entire web.”

References


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**Author Biography**

**Joseph P. Hester, Ph.D.** earned the Bachelor of Arts Degree in the Social Sciences and History from Lenoir-Rhyne College (University) in 1961. He is a 1964 and 1967 graduate of Southeastern Seminary at Wake Forest, N.C. where he earned both the Bachelor of Divinity and Master of Theology degrees. His master’s thesis was an analysis of the theology of the 19th century Anglican minister and theologian, Frederick W. Robertson. He earned the Ph.D. in Philosophy from the University of Georgia in 1973 completing his dissertation in analytical ethics. Working in the area of pre-college philosophy, he became a certified public school teacher and supervisor, earning doctoral certification as a Curriculum Specialist III. Hester is the author of many professional articles and books in philosophy, religion, and education. In the area of ethical leadership, he has authored *Ethical Leadership for Public School Administrators and Teachers* and, with H. Darrel Young, *Leadership Under Construction*. 
Redemption in the Dean’s Office

CHRISTINE CLEMENTS
DEAN, COLLEGE OF BUSINESS AND ECONOMICS
UNIVERSITY OF WISCONSIN – WHITewater
WHITewater, WI

Abstract

A 2002 management journal presented two perspectives on the experience of serving in the leadership role of a business school dean. One focused on the negative side of power. The second discussed the “squeeze” or exposure of the dean to various stakeholder pressures. This paper provides yet an additional perspective. The dean’s role is explored from a framework of theological praxis and language, applying concepts such as hermeneutics, exegesis, and eschatology to the leadership experience. The author concludes that being the dean of a business school is a personal experience filled with successes and failures that collectively shape the moral framework of the office.

"Success is the ability to go from one failure to another with no loss of enthusiasm."
- Sir Winston Churchill

Introduction

For years I have pondered two articles, authored by Art Bedeian and the other by Joan Gallos (2002), concerning the leadership role of a business dean. Both generated an uncomfortable image. Having served as a dean for nine years, these articles presented perspectives and insights to which I could relate, but the overall impressions seemed inadequate. Generally speaking, deans can choose between becoming deluded and egocentric (dean’s disease) or feeling conflicted and overwhelmed (dean’s squeeze). These characterizations of administrators are popular and somewhat truthful, but do not represent the only options.

Leadership literature includes straightforward, transactional models for determining effective and principled leadership (e.g., trait, behavioral, situational, and role theories) and those of a more emotional nature (e.g., service-oriented, transformational, and visionary leadership models). There is a substantial body of work devoted to outcomes associated with various styles of leadership from a follower or organizational perspective, including
discussions about the abuse of power and morally bereft side of leadership and related, unfortunate consequences (c.f., Kets de Vries, 1993; Clements and Washbush, 1999). But, while often inferred, very little is written in management literature about the tremendous personal rewards of principled leadership. Potential positive consequences and outcomes are presented from the perspective of the led, but rarely from the personal experience of the leader. So, while there is no dearth of discussion of leadership outcomes, in most respects, these discussions fail to capture the very personal, introspective, and often positive experience of leading.

This commentary is an attempt to articulate an additional perspective of the personal experience of leadership in the dean’s office beyond those expressed by the dean’s disease and the dean’s squeeze characterizations, not because what is said is inaccurate, but because it creates only a partial picture. The impression with which one is left reinforces the negative response to that long-standing question pondered by faculty, “Why would anyone want to be a dean?” But the need for values-based leaders and values-based leadership in academic institutions has certainly not diminished, and beyond the immediate rewards that emanate from the power to determine organizational direction and outcomes, there is a personal experience found in both successes and failures that inevitably produce a redemptive disposition.

Dean’s Disease
The first of the two articles in the 2002 Academy of Management Learning and Education journal entitled, “The Dean’s Disease: How the Darker Side of Power Manifests Itself in the Office of Dean,” is premised upon the well-known wisdom of Lord Acton expressed, “power tends to corrupt, and absolute power corrupts absolutely.” Bedeian writes about the “dark” or morally-compromised side of power in the dean’s office, articulating three main causes of what he terms dean’s disease. The first cause is the control deans have over the nature and allocation of resources. Citing research on dysfunctional personality dynamics (e.g., Janis, 1971; Kets de Vries, 1989, 1991; and Kipnis, 1976), Bedeian concludes that in order to garner favor and thereby resources, faculty often withhold criticism of their deans and engage in ingratiating behaviors. A second cause of dean’s disease is an overdeveloped sense of self-confidence and self-importance on the part of the dean and an inability or unwillingness to accept critique. The third reason for dean’s disease is that their unchallenged power can lead deans to believe in the inherent morality of their actions. Some questions to ask and remedies to employ are provided by Bedeian as safeguards from the corrupting effects of power.

Dean’s Squeeze
In her article, “The Dean’s Squeeze: The Myths and Realities of Academic Leadership in the Middle,” Gallos analogizes the dean’s job as having your feet “firmly planted in two worlds,” one within an academic culture and the other in a more corporate, administrative environment (2002, p.175). The academic culture, according to Gallos and the research she cites (c.f., Bergquist, 1992), is driven by the individual needs of faculty and simultaneously emphasizes autonomy and individuality commensurate with consensus and cooperative relationships. These leave very little room for deans to have an impact beyond their ability to “recommend” (p. 179). In addition, administrators at higher levels in the institutional
hierarchy have expectations from the dean, holding him or her responsible for the performance of the college, while they possess the power to make the final decisions. An effective dean is squeezed between nurturing an optimal environment for faculty and their work, while being ever vigilant in managing the boss. When one adds the influence and expectations of such external constituencies as accrediting agencies, government bodies, alumni, and the business community, the implications for staying centered and focused are obvious. One needs to remain malleable in confronting complex roles and relationships many times each day in a seamless fashion. This can be exhausting work and, as Gallos points out, it isn’t always appreciated.

Other Alternatives
As a dean, I relate to the worlds presented by both Bedeian and Gallos (2002). From the Bedeian perspective, there have been times upon reflection and after matters have settled that I felt shamed by the arrogance inherent in some of my decisions or behaviors. There are a number of power sources available to deans (e.g., legitimate, reward, coercive, expert) and in times of frustration and stress, it is often more expedient in the moment to resort to unbridled power plays as opposed to the hard work of dialoging, listening, and taking time. The mid-to-long term fallout of this expediency can be costly from a personal and organizational perspective.

Regarding Gallos’s dean’s squeeze, I once found myself inexplicably fighting tears when I heard Warren Bennis, while speaking to a group of business deans at an accreditation conference, describe the dean’s work as living the movie “Groundhog Day” where one must face repetitive, daily demands that command great strength and courage. Having developed the coping mechanisms that allow us to live with negative critique about the lack of value in administrative leadership positions, we can find ourselves unprepared emotionally to receive empathy and commendation for work in this role – work that can be demanding, difficult, and underappreciated.

Do I feel powerful? Yes, at times. Do I feel pulled in a million different directions and underappreciated? Yes, also at times. Yet for all of this, I wake up most days exhilarated and engaged by the work I do. More than any other work in which I have engaged, the dean’s job creates tremendous opportunities for impact and self-actualization. College leadership – despite the low regard in which the dean’s role is sometimes held – is a privilege that in addition to allowing us to participate in powerful ways to impact organizational life and direction, allows us to regularly identify and overcome our weaknesses and commit to becoming better deans and more principled leaders. Our only responses to the challenges of leadership need not be “fight or flight.” They can include an ever-increasing appreciation for and engagement with the complex environments in which we work and for the unlimited opportunities for personal and organizational growth.

Metaphor, Language, and Being a Dean
I was fortunate early in my administrative career to teach courses in organizational behavior, leadership, and organizational design while serving as a department chair. I was also fortunate to be in the midst of a graduate program in ministry while transitioning from chair to interim dean and ultimately, to dean. The two sets of experiences provided an array of ways of thinking about the work of the dean and a rich vocabulary for interpreting and
understanding the activities and events of administrative work. Bidden or not, I was forced to move back and forth between theory and praxis on a daily basis—an existential experience that profoundly impacted my perspectives of leadership and administration and led me to the happy conclusion “That stuff really works!”

The rapid and reciprocal travels between teaching theory and engaging in departmental leadership created a natural movement into the reflective leadership process—a process which involves developing the ability to learn from experience. Much of the discussion in the management literature about reflective, principled leadership is tied to Argyris and Schon’s (1978) espoused theory versus theory-in-use and single versus double-loop learning (e.g., Argyris, 1982; Senge, 2006). Argyris describes a process wherein one interacts with others in a way that shields his or her mental dispositions from challenge, reinforcing a myopic view of the world. Double-loop learning occurs when we are able to suspend assumptions and defensiveness, and engage in dialog and discussion about complex and difficult issues, moving toward a new understanding beyond our normal frame of reference. The Center for Creative Leadership has also developed models for the process of “learning to learn from experience” (Bunker and Webb, 1992). In one model, stressful events create a tension that expels us from our comfort zones. To the extent that we are willing to be open to our shortcomings and to new learning or changes that may cause short-term reductions in performance, we can develop new understandings and skills. Moving from classroom discussions on reflective leadership, power, conflict, organizational design, and other related topics to the department chair’s office (where I was confronted by frequent challenges to my assumptions and, at times, competence) created a unique and worthwhile learning experience. In a useful way, these challenges were depersonalized by the reference to theory and became, instead, personal case studies and opportunities to apply theory to practice.

In his introduction to Images of Organization, Gareth Morgan (2006) references the images that underlie our interpretations of reality. These images imply a way of thinking and seeing that pervades our understanding of the world. Individually, the presentations are partial and limiting, but by seeking additional alternative images, we can reach a broader and deeper understanding of our reality. Certainly, the discussion of multiple management theories worked to provide an array of possible interpretations for daily department chair challenges. Over a six-year period as the department chair, this reflective learning process became increasingly natural—although there were occasions when time was required to learn how to neutralize personal defensiveness.

Ministry and Business Deans

Involvement in a ministry program during the transition time from department chair to dean provided a new language and new metaphors by which I could more completely understand the leadership experience of deaning. Understanding effective, principled leadership from a spiritual perspective isn’t new. A plethora of essays and articles exist which predominantly focus on spirituality and leadership. Among the early works is Conger’s (1994) Spirit at Work: Spirituality in Leadership, a book comprised of eight essays addressing various connections between labor and the spiritual realm. And there are certainly many links between ministry and Robert Greenleaf’s (1996) “servant leader” —a leader who manages his own ego and transforms followers to leaders. Today, one may find interest groups in the
Academy of Management (i.e., Management, Spirituality, and Religion) and journals (e.g., the *Journal of Management, Spirituality, and Religion*) devoted solely to these areas of interest. But one may search endlessly without discovering any body of work tying business deans to spirituality and ministry. There are, ostensibly, many reasons why this connection isn’t obvious. One reason may be that it rarely occurs to those in the academic community who study leadership and ministry to incorporate the dean’s role in those terms. The often expressed “cross over to the dark side” may more often come to mind.

As the connection between reflective leadership (with its theory and practice dynamic) and practical theology became increasingly apparent, additional concepts and theories (or theologies) emerged which have influenced my position. The structuring of the dean experience within the practical theology and ministerial framework caused discomfort with the limitations the two perspectives presented.

The praxis of ministry is sometimes described as practical theology or the integration of *theology from above* with *theology from below* (Fleischer, 1997). Praxis involves the integration of both theory and practice into a whole and includes moments of reflection as well as action. St. Ignatius referred to this as being a contemplative in the midst of activity (McDermott, 1994). Drawing from Marxist interpretations, theologian David Tracy (1996) formulates conclusions about the need to realize that we don’t just understand the world — we shape it. If we are unable or unwilling to integrate our theories (or theologies) in daily life, we risk of not only being perceived as irrelevant, but also as potentially deleterious. The Jesuit philosopher Bernard Lonergan (1990) contributes to the discussion by emphasizing the need to utilize multiple ways of knowing and understanding in order to implement practical theology well. Returning to Gareth Morgan’s point, we understand more and we have more options for action when we have multiple frameworks for interpretation. Among the concepts from ministry that may enhance the way we think about the dean’s role as well as leadership in general are *hermeneutics, exegesis and eisegesis, and eschatology*. The words are strange and foreign in the world of leadership literature, but they do impact the practice of values-based leadership.

**Hermeneutics**

Hermeneutics is generally defined as the study of the interpretation of texts. It is often used to address the interpretation of the Bible, but the *hermeneutic question* as studied and put forth by Ricoeur is really a philosophy of language (1974). Both Ricoeur and Heidegger believed *man is language* (p. x); that is, text and language are not just something we do, but depict who we are. Language consists of multiple levels of meaning that at the deepest levels reveal the individual as the text. Not only are the language and actions of a dean a text to be interpreted (from a hermeneutical perspective), but the dean as a person is a text which can only be understood by moving through multiple levels of meaning. The meaning of what we do is not only obscured by those with whom we work, but is also masked to our own perceptions. If deans don’t engage in purposeful and critical reflection, they likely will never understand the meaning of their behaviors or the origins of their actions. This tendency to perceive externally rather than inwardly is a common phenomenon among leaders. As Palmer (1994) indicates, people often rise to leadership positions by virtue of their extroversion, and advance to engage in development that encourages them to
“manage” their external world. Little professional development, however, focuses on the journey inward, particularly in the business world.

Riceur emphasizes our need to conquer the remoteness of the message. As a dean, hermeneutics helps me to understand that the choices I make and the behaviors in which I engage are my text and in an existential way, define who I am. Whether I am involved in a difficult personnel matter, engaged in external fundraising activities, making budget allocation decisions, or performing any other daily task associated with the dean’s office, all of these actions are basic statements of who I am as a human being. This is a humbling and sobering insight. Occasionally, when I feel I am relentlessly fielding the conflicting demands of multiple stakeholders and/or in a position where I want to make the expedient yet perhaps thoughtless choice, I remember that this is the text that defines who I am in the world and this realization inspires me to create that small space in which I can infuse thoughtfulness. From a hermeneutical perspective, one of the greatest challenges of leadership is to become a proactive reader of our own text.

**Exegesis and Eisegesis**

Within the concept of hermeneutics, exegesis and eisegesis are means by which we interpret text — originally biblical passages — but the terms can be used in regard to any text including that of our own behavior as previously discussed. Exegesis means to formulate an understanding based upon thorough analysis. Alternatively, eisegesis refers to generating a conclusion based upon our own preconceptions and history. In many respects, this is an exercise in applying attribution and perception theories. From an organizational behavior perspective, the attribution theory (Mitchell, Green, and Wood, 1981) can be helpful in determining responsibility for problems that occur whereas a perfunctory application of common perceptual biases is helpful in distinguishing misunderstandings and difficult interpersonal situations. I find the greatest value in applying exegetical and eisegetical framing occurs when I am the individual feeling wronged or attacked. One of the dangers luring powerful leaders to jettison principled decisions is the ability to avoid consequences for committing mistakes or rendering poor decisions. Another is the ability to direct unpleasant repercussions upon those who provide personal and critical feedback to the power holder. As Bedeian notes, followers are fearful of providing honest feedback and often for very good reason. An understanding of eisegesis may help to reduce ego defensiveness and serve as a reminder that our preconceptions, histories, and delicate egos are interpreted in a potential inequitable fashion. An exegetical analysis requires utilizing the models and theories of the management discipline to reach a more objective understanding. An awareness of eisegesis allows me to assess all of the facets of the leadership position I occupy. This phenomenon is eloquently stated by Basil the Great, “I have abandoned my life in the town as the occasion of endless troubles, but I have not managed to get rid of myself” (Norris, 1998: 378).

**Eschatology**

Leadership in all its manifestations has an eschatological quality that may be simply summarized by Truman’s famous aphorism, “The buck stops here.” Eschatology is, literally, the study of last things. Theologically framed, it is about death, judgment, and resurrection. From an organizational perspective, we might be considering the ends, outcomes, and
judgments of leadership effectiveness. But from a theological perspective, eschatology is also about the present as it treads toward the future (O’Donovan, 1995). It asks the question: How do my current activities define or implicate the end? How is the end transformed by the dynamism of activities that occur on a daily basis? The ultimate meaning of one’s leadership is transformed by the manner in which the leader lives the role each day. This applies to deans whether they are making decisions with broad impact or are only allowed to “recommend” (Gallos, p.179). Clearly, deans are held accountable for what is accomplished or not accomplished during their individual terms. In a limited, current context, one significant event may be sufficient to garner praise or condemnation, but the long-term value of the leadership role of the dean (and in an eschatological sense) has as much to do with the series of behaviors exhibited and decisions made over a dean’s full term. This can be a powerful way to assess recurring decisions. Bennis refers to the long-term process as requiring great strength and courage. Some days, the decision may be simply showing up at the office. On other occasions, it may be about embracing a far-reaching and unpopular stance because, in the end, it is morally correct. Operating within a theological interpretation, eschatology applied to deaning allows us to transcend the trappings of the dean’s disease or the dean’s squeeze and allow us to pursue guiltless, principled leadership. Realized eschatology isn’t a statement about the future as much as it is a prognosis about how the power of our current acts shapes the future.

The Call of Deaning

Max Weber (1958) was among the first to discuss the term calling from a capitalist perspective, emphasizing that work and the fulfillment of duty might be among the highest forms of moral activity. Today, it is more common to discuss calling and vocation in regard to occupational and professional choices and, as previously mentioned, there is a large and ever-increasing body of management literature that explores spirituality in the workplace (e.g., Hall D. & Chandler, C., 2005). Even beyond the spirituality literature, research exists which examines the relationship between calling and work in terms of personal meaning and organizational commitment (e.g., Marko and Klenke, 2005). I have never heard calling used to refer to someone in a business dean’s role. However, while attempting to identify the ministry role in my life, I was forced to acknowledge that it may be entirely possible to be called to the role of business school dean. Fundamentally, calling may simply mean that we are doing the work we should be doing — work that fits our interests, personalities, intellects, and occasionally abilities. The Catholic theologian Teilhard du Chardin (1960) espoused the belief that all work may be divine; throughout our lifetimes, we will make choices and decisions that will ultimately shape the direction of ultimate “missions.” This directly comports with what Wheatley and Kellner-Rogers (1996) state in A Simpler Way, i.e., the world seeks its own order and doesn’t require us to dictate organization. Although the process is natural, rarely is it easy. Most of us have invested enormous personal capital trying to decide whether to invest more of ourselves into particular commitments or rather recognize our failures and move forward.

Ultimately, there is nothing essentially better or worse about the leadership role of a dean. While the competency levels and leadership qualities of deans vary, the same is true of department chairs, university presidents, government officials, and business CEOs. No matter the position we occupy, the quality of our work will vary as will the praise — or lack
thereof — bestowed. Deans have no monopoly on these experiences. We should be doing work that we believe is important, adds value, and allow us to grow and improve, even if we experience failures in the process. From a hermeneutical perspective, we must understand and appreciate that the way we conduct our daily work defines who we are in the world. We should attempt to understand the world around us as distinct from the personal biases we project (exegesis), but we should also acknowledge the role those biases have played in creating the environments and situations in which we find ourselves (eisegesis). Eschatologically speaking, we should intentionally and frequently acknowledge that our life decisions help define both the present and the future. The ability to do so offers daily opportunities for redemption along the way.

**Conclusion**

My personal experience of occupying the position of dean has been extraordinarily rewarding. I have had to become more adept at (if not more comfortable with) juggling multiple and conflicting goals and making choices that sometimes elicit feelings of animosity. I must regularly self-correct for being defensive under criticism as well as for acting inappropriately, arrogantly, and/or thoughtlessly. Each day offers new opportunities to learn, grow, and seek redemption for all that I am not and all that I am not able to accomplish. It is glorious and principled work. At a recent AACSB committee meeting of business deans, members were asked to share what they most liked about their leadership roles. After some thought, all I could say was, “I love everything about being a dean!”

**References**


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**Author Biography**

Christine Clements has served as the Dean of the College of Business & Economics at the University of Wisconsin-Whitewater since 2001, with a brief interlude as Interim Provost and Vice Chancellor for Academic Affairs from 2008-2010. She also served for six years as the Chair of the Department of Management. Before becoming dean, she taught graduate and undergraduate courses in Organizational Behavior, Leadership, and Organization Theory & Effectiveness. She has presented and published research primarily in the areas of leadership, educational administration, and organization theory and design, and has been actively involved in committees and boards related to AACSB International accreditation and women in leadership.

Dean Clements can be contacted at clement@uww.edu / 262.472.1343.
THE STORY OF Ethicus –
INDIA’S FIRST ETHICAL FASHION BRAND*

— Ajith Sankar R.N. Assistant Professor, PSG Institute of Management, Coimbatore, India

“We have got this big problem with our lifestyle, which is not eco-friendly. Ethicus is not just about the fabric, it is not just about organic cotton, it is about a new kind of lifestyle. The very process is organic. In my tenure, I’ve been focusing on socially and environmentally responsible designs. Ethicus was very much related to this ideology; they are socially and environmentally responsible, and are an ideal company that way. I visited their entire set up and it was very encouraging.”

— Rahul Mishra, Fashion Designer (explaining his association with Ethicus)

“Once it happened that my entire cotton stock was up in flames, probably sabotage. I was seeing fire all around, and people were trying to extinguish the fire. I did not know what to do and started walking, just like that, without direction. Soon I reached the top of a nearby hill. Then while looking down, it dawned on me that whatever I thought as big and important, all looked so tiny and trivial... The purpose of Ethicus is to sow the seeds of change by sharing our own experience on transformation and innovation. I’m only paying back my debts. One of the learning I had in my life is that whenever I did something only for me, it failed, it had been disastrous. Whatever successes I had, it happened when I went beyond the narrowly defined goals and aspirations. There are some subtle things which we miss, because we think from the head. There are also possibilities from the heart, which is connected to consciousness, which is connected to the Totality...”

— Mani Chinnaswamy, Managing Partner, Appachi Cotton and Co-Founder, Ethicus

* Unless mentioned otherwise, all quotations used in this case study were derived through primary research. All characters in the case are real. The case is authored by Ajith Sankar R.N. (Assistant Professor, PSG Institute of Management, Coimbatore, India) under the guidance of Dr. R. Nandagopal (Director, PSG Institute of Management, Coimbatore, India), and with the help of Karthik G. (student, MBA - 2012, PSG Institute of Management, Coimbatore, India). The case author is thankful to Mrs. Vijayalakshmi Chinnaswamy and to Mr. Mani Chinnaswamy (co-founders, Ethicus) for their energy, time, and resources as well as to the others who have shared their perspectives about Ethicus.

This case is dedicated to Sri Sathya Sai Baba, who visioned a world where education is offered with love and discipline, and free of cost. In line with that Vision, this case study is released to the public domain without cost. While the author holds the copyright to this case study, the reader may reproduce, distribute, publish, and transmit this case study in any form including photocopying, recording, or other electronic or mechanical methods PROVIDED THAT copyright, acknowledgement, gratitude clauses are included.
Introduction

*Ethicus*, launched in September 2009, in Mumbai, was the first ethical fashion brand in India. The brand was launched by the Appachi Cotton, a textile company based in Pollachi, Tamilnadu, India. Products under the *Ethicus* brand name are made from organic cotton, natural and eco-friendly dyes, and ethical silk. *Ethicus* products were handcrafted using traditional weaving techniques on revived jacquard handlooms of the Pollachi region. The initiative drew positive responses from stakeholders including the media, customers, employees, and even peers. The brand is yet to make any profit. The founders, who express their deeply-held spiritual and ethical values through their business practices, believed that the brand had to be incubated for another 3-5 years before it could generate any profit, holding a stoic belief that everything would go well with the brand.

**Appachi Cotton and Integrated Cotton Contract Farming**

Appachi Cotton was a three-generation cotton ginning business started in 1948 by L. Mariappa. This business was inherited by Vijayalakshmi Nachiar (Vijayalakshmi) and Mani Chinnaswamy (Mani), a wife-husband duo. Mani was the grandson of Mariappa. Vijayalakshmi had a master’s degree in textiles from SNDT Mumbai while Mani had a master’s degree in business administration from Philadelphia College of Textiles & Science (Philadelphia University), USA. Following inherited practices, Mani bought cotton from farmers, converted it to cotton bales, and supplied it to textile mills.

Mani pioneered “Integrated Cotton Contract Farming” (ICCF). In the 1990s, a spate of farmer suicides happened in India. While industrialization was driving India, farmers were in distress. As Mani had been in the cotton business for many years, he was aware of the hardships the farmer was experiencing. “I am also living off him (the cotton farmer). The money that I was making was because of his hard work. But, what is that I’ve done in terms of giving back to the society?” These thoughts used to be there in his mind. It was in 1999 that Mani contracted with Lakshmi Mills, a textile company based at Coimbatore, to supply 1000 bales of cotton. He traveled across India to find farmers who could supply him with cotton on a consistent basis. In 2000, he started ICCF. The ICCF model was inspired by the model of administration followed by the Tibetan Administrative Offices. While traveling, Mani came to Mundgod, a town in the Uttara Kannada district in Karnataka, India which is the largest Buddhist settlement in India. There he saw the Tibetan monks bringing their products to the town for sale. He entered into a discussion with them and found that they followed a co-operative society model and that these co-operative societies, more or less, acted as a government.

Through ICCF, Mani brought together the seed producer, farmer, ginner, spinning industry, and the government. In this model, farmlands were consolidated and the small and marginal farmers were provided with the necessary resources, technologies, and finances. As the industry was working in concert with the farmer, they cultivated cotton as per the needs of the textile mill. The farmer was provided with assured marketing tie-up and monetary support from financial institutions. The ginners/spinners became the Coordinating Agency (CA) and acted as the liaison between farmers, input suppliers, financial institutions offering banking and insurance services, textile mills, and the government. The ICCF model helped Appachi Cotton to receive a consistent supply of cotton. However, there were changes in the
political environment: election manifestos were comprised of political parties promising to waive off bank loans undertaken by farmers. Soon, farmers willfully defaulted. In 2004-05, financial institutions retreated from this model and soon Mani also followed course.

A Note on the Textile Industry

As per the Government of India’s Economic Survey of 2010, India maintained a 6.7% GDP growth in 2008-09, despite the financial crisis of 2007-10 that pervaded the world. The growth rate was 7.4% in 2009-10. The 2011 Economic Survey predicted that growth rate for 2010-11 would be 8.6% and also projected a 9% growth rate for 2011-12. Goldman Sachs predicted that “middle class growth in India will accelerate throughout this decade” and “as the middle class grows, consumption becomes more discretionary.” In 2009, Goldman Sachs predicted that India would grow at an average growth rate of 6.5%, 6.4%, 6.6%, and 5.8% respectively during the decades 2011-20, 2021-30, 2031-40 and 2041-50 respectively. Table 1 displays indicators related to trends that influence India’s textile industry.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
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<th>2006</th>
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<th>2008</th>
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<tbody>
<tr>
<td>Fertilizer Consumption (kg per hectare of arable land)</td>
<td>100.6</td>
<td>105.1</td>
<td>115.4</td>
<td>127.8</td>
<td>136.4</td>
<td>142.8</td>
<td>153.5</td>
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<tr>
<td>Agricultural Land (% of land area)</td>
<td>60.6</td>
<td>60.6</td>
<td>60.6</td>
<td>60.5</td>
<td>60.5</td>
<td>60.4</td>
<td>60.4</td>
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<tr>
<td>Rural Population (% of total population)</td>
<td>72</td>
<td>72</td>
<td>72</td>
<td>71</td>
<td>71</td>
<td>70</td>
<td>70</td>
<td>*</td>
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<tr>
<td>GDP per capita (current US$)</td>
<td>484</td>
<td>563</td>
<td>668</td>
<td>762</td>
<td>857</td>
<td>1105</td>
<td>1067</td>
<td>1192</td>
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<td>CO2 emissions (metric tonnes per capita)</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
<td>*</td>
<td>*</td>
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<tr>
<td>CO2 emissions (Kilotonnes)</td>
<td>1,225,787.5</td>
<td>1,280,864.8</td>
<td>1,345,494.1</td>
<td>1,409,973.2</td>
<td>1,503,115.7</td>
<td>1,611,042.5</td>
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</tr>
</tbody>
</table>

Source: World Bank (* indicates non-availability of data)

According to the 2009-10 annual report released by the India’s Ministry of Textiles, the country’s textile industry contributed approximately 4% to India’s GDP, 17% of the country’s export earning, and a contribution of 14% to industrial production. The sector also provided direct employment to more than 35 million people, serving as the second largest employment provider in India after agriculture. As per the Ministry of Textiles, India’s textile industry, domestic and exports combined, is expected to grow from USD 70 billion in 2011 to USD 220 billion by 2020. Technopak, a consulting firm, indicated that India’s export potential in textiles and apparels would gross USD 44 billion by 2015 and USD 80 billion by 2020. They also suggested that India’s textile and apparel domestic market would increase to USD 89 billion by 2015 and USD 140 billion by 2020. Reports also indicate that some of the leading apparel exporters of the country are focusing more on the domestic market.
“With the domestic market growing at 15-20 per cent, even the larger, organised apparel exporters are increasing their presence within the country,” said Rahul Mehta, president of the Clothing Manufacturers' Association of India (CMAI). For the five years ending FY 2011, the top ten textile companies in India, in terms of revenues, charted a compounded annual growth rate of 23%.

Chart 1: Operating Profit Margin and Net Profit Margin (revenues) for the top ten textile companies in India

Cotton is one of the major raw materials for the textile industry in India. India has the largest cotton cultivation area in the world, at 9 million hectares, and constitutes 25% of the world’s total cotton cultivation area. It is the second largest cotton producing nation in the world (after China), with a production of 240,000,000 480-pound bales. It is also the second largest exporter of cotton (after United States).

India’s Ministry of Textiles indicates that the cultivation area of Bt Cotton (Genetically Modified Cotton or GM Cotton) in 2008-09 increased by 7% at 68.18 lakh (6.818 million) from the previous year. In 2008-09, the area under Bt Cotton occupied 73% of the total acreage of 93.73 lakh (9.373 million) hectares under cotton cultivation. Another report, released by the International Service for the Acquisition of Agri-Biotech Applications (ISAAA), stated that the usage of Bt Cotton increased to 8.4 million hectares in 2009 from 50,000 hectares in 2002. According to this report, 87% of the total cultivated area in India in 2009 was under GM Cotton, with 9.6 million hectares represented the total cultivated area for cotton. Supporters of Bt Cotton opined that this increase in usage could be attributed to a combination of increased farm income and a reduction in pesticide use to control the cotton bollworm.
A report\textsuperscript{13} by the Environmental Justice Foundation\textsuperscript{14} and Pesticide Action Network (UK)\textsuperscript{15} indicated that cultivation of cotton was responsible for the release of 16\% of insecticides in the world, despite covering only 2.5\% of world’s cultivated land. Cotton cultivation consumed more insecticides that any other crop. The Organic Trade Association\textsuperscript{16} stated that 25\% of the world’s insecticides and 10\% of pesticides were utilized for cotton cultivation. In India, more than 3000 tonnes of Endosulfan was used for cotton cultivation (\textit{photographs related to the ill-effects of using Endosulfan in cashew farming in Kerala, India can be found at http://www.endosulphanvictims.org/gallery.htm. These images may be disturbing}). Farmers lacked protective gear while using the hazardous pesticides. The report indicated serious health symptoms in many Indian farmers who were exposed to pesticides while growing cotton. “With no less than 99\% of the world’s cotton farmers living in the developing world, the pesticides are applied in fields where illiteracy is high and safety awareness is low, putting both the environment and lives at risk. The dangers faced by poor illiterate children and farmers, to keep our clothes cheap, is unacceptable,” said Steve Trent, Director, the Environmental Justice Foundation.\textsuperscript{17}

India was also the leading producer of organic cotton. The “\textit{Organic Cotton Market Report 2009}”\textsuperscript{18} stated that there had been a 35\% increase in the worldwide sales of organic cotton apparel and home textile products reaching $4.3 billion in 2009. “Today, only 0.15\% of the world’s cotton is guaranteed to be pesticide free. This means that the majority of the cotton we wear is likely to have contributed to the poisoning of lives and the environment in some of the world’s most vulnerable communities. If the fashion industry is truly concerned about its impact in this world, then it needs to clean up its act and demand organic cotton,” said Linda Craig, Director of Pesticide Action Network, UK.”\textsuperscript{19}

India had been the second largest producer of silk in the world, after China. Some organizations have also produced Ahimsa Silk — a process through which silk is made without the killing of silk worms. The word “Ahimsa” means non-violence. The main producers of Ahimsa Silk are Andhra Pradesh Handloom Weavers’ Cooperative Society,\textsuperscript{20} based at Hyderabad and Ahimsa Peace Silk Pvt Ltd., based at Pune.

\section*{The Evolution of Ethicus}

\textit{“Think about the thousands of artisans India has. If they are not revived, the craft will die.”} — Prasad Bidappa, fashion designer/choreographer, while launching Ethicus at Mumbai.\textsuperscript{21}

While the ICCF model lost its steam, Mani did not want the linkages to similarly expire. He started enquiring whether farmers would be requiring marketing support. Mani said, “We went to Karnataka. The region that I choose was Kabini.\textsuperscript{22} It’s all in the forest periphery of Nagarhole,\textsuperscript{23} Bandipur. This is also an elephant corridor. The farmers have given way for the dam to be built there and the farmers are settled on the banks of the dam where they were growing crops. Cotton is a crop that elephants do not like. So the farmer is forced to grow a mono-crop of cotton every season. After the fertility of the soil is gone, the farmer is pumping more fertilizers so that the crop is sustainable. But the fertilizer runs off to the Kabini dam, contaminating the surrounding. This is where I needed to reinvent.” Mani thus started moving to the organic farming of cotton in 2004. During the process of manufacturing cotton, neither chemical fertilizers nor pesticides were used.
The engagement with ICCF and travels to farmlands across India gave Mani input on various aspects of farming. In 2004-05, Mani converted their 25 acre vanilla farm to an organic farm. In few years, he understood that this practice was a “total disaster” due to the mono-cropping practice. During this period, Mani and Vijayalakshmi received advice on growing food for themselves without utilizing pesticides and chemical fertilizers. Thus, they started growing coconuts and various types of vegetables on their farm. This was one of the experiences that helped Mani and Vijayalakshmi in their journey of creating a sustainable enterprise dealing with organic cotton.

“We thought we needed a healthy lifestyle for doing ethical business. So we had to bring about a change in our business. We stopped dealing with regular cotton, which was cultivated using pesticides, as it clashed with our ideology,” explains Vijayalakshmi. This was in 2007. “We were doing pretty well — about 40 crores of turnover, and it was a conscious decision to stop my conventional business and totally get into organic cotton business.” During that period, the organic business of the company only contributed 10% of the revenues of Appachi Cotton. Mani and Vijayalakshmi converted the enterprise into a 100% organic firm, and their cotton products were termed as Appachi Eco-logic Cotton.

The yield of organic cotton was less than conventional cotton in the initial years as the chemical fertilizers were no longer in use. It was expected that the land would take three to five years to revitalize. “It’s difficult until the farm reaches a balance, until it sheds the chemicals it has and is ready to take care of itself. Once that happens, around the fifth year, it becomes cheaper to grow organic cotton and its productivity is comparable to, if not higher than, normal cotton,” said Balaji, brother of Mani.

In 2006, the company associated itself with an organic farmers group named “Savyava Krushikara Sangha,” which was incubated by the Mysore Resettlement and Development Agency (MYRADA) and partnered with them in the organic certification process. The process was called “SKS Appachi Eco-Logic,” and was certified organic by IMO Control, a Switzerland based, certified agency.

During this period of transition/conversion from a fertilizer-driven production operation to organic cultivation, Appachi Cotton paid the farmers a premium of 10% from the prevalent market price. “We kept paying contract farmers during that time. You have to raise a couple of crops before your cotton meets certification standards” said Mani. In 2009, the Control Union (formerly SKAL) based in the Netherlands offered the Global Organic Textile Standards (GOTS) certification for the textile production of Appachi. In 2007, IMO Control certified Appachi’s farm and ginning operations.

While the company started sourcing and stockpiling organic cotton, there was a dilemma about the course the company should take in the changed paradigm. “[For] two years we were toying with the idea of what to do,” explains Mani. He was not keen in supplying all of the organic cotton to textile mills. Mani believed that every player in the textile value chain must have his own individual identity and respect. He did not have the desire to sell the cotton into the conventional market as it would be an exact replica of what their family had been practicing. “Mani would always quip that the conventional cotton value chain was a thankless operation. The ginner never appreciated what the farmer did; the mill owners never appreciated what the ginner did; the fabric people never appreciated what the mills did; the retailers never appreciated what the fabric people did; and finally the end customer
never even cared to recognize what the farmer, ginner, mill owner, fabric producer, or the retailer did. One can understand from the above, why he was so adamant not to sell the cotton to the conventional operators,” mentioned Vijayalakshmi. Initially, he thought about exporting. However, the yarn produced from this cotton was too exclusive for foreign buyers to absorb. Their preference was in the 30-40 count while the cotton produced by Mani had a count of 100-120. Vijayalakshmi understood that what they were having was one of the most exclusive yarns in the organic world. She said, “I knew at the very moment, the right utilization for them — in the handlooms. Traditionally Indian handloom weavers had been used to handling very fine cotton yarns for over centuries.” Mani concluded that Ethicus was the creative vision of Vijayalakshmi.

They met with Sally Holkar from Women Weave, Mumbai, who was instrumental in reviving the Maheshwari sarees from the state of Madhya Pradesh. With the help of Holkar, they delivered their yarns to weavers from North India. However, the time taken to deliver the fabrics was about six months, which was challenging for Mani, whose cotton stock situation was on an upward spiral with more farmers joining the organic movement in Kabini. “There was a big learning for me in the above episode. In our pursuit to get anything done, we at times take quick emotional decisions that does not necessarily be practical. And we keep pursuing it, even after we would have realized that it is not a long term solution. In that process, we fail to recognize/realize the opportunities that lay hidden in our vicinity... Nature has its own mechanism, it gives you a long rope to work things out yourself, and when it realizes that you are wandering too off from your destined path it gives you a tug and makes you realize your chosen path. We wandered aimlessly, in creating our value chain, but the ‘tug’ came 6 months later. Whenever we had our foreign friends visit us, we have been taking them around our villages around Pollachi, showing them the occupation — particularly the handloom weaving of Pollachi. Never once did it occur to us that we should utilize the services of our local weavers to covert our yarns into fabrics,” reminisces Vijayalakshmi. Pollachi, the town from where they were operating, and the villages nearby, used to be the home for thousands of handloom weavers and they used very fine cotton, which was similar to the cotton that Appachi was stocking. For a year, Vijayalakshmi and Mani visited people and places requesting conversion of the cotton to yarns, but the effort was in vain. Then, the duo discovered in Chennimalai, a panchayat town in the Erode district in the state of Tamil Nadu, where 2800 looms were dismantled and piled up in a godown, and were kept for sale. Some of the looms were made of 50-year-old wood. “It was a really pathetic sight. What is happening to our heritage? This is something which we should be proud of, and sustain.” They selected 42 looms, brought them to Pollachi, refurbished them, and brought in weavers.

Vijayalakshmi and Mani also set up a design and weaving studio. “If a designer wants to design something we have the whole set up ready over there. We have an in-house person who can recreate the design on computer. Since the entire design development happens under one roof, there is no way that it can be copied or made a sample of ensuring that designs are in safe hands,” added Vijayalakshmi. Ethicus assures the designers that their work will not be replicated until the design is released in the market. At Appachi Cotton, each loom was product specific — there were looms that wove only bed linen, or curtains, or salwar kameez materials. Such a process ensures that the cloth is not wasted. In addition to natural/vegetable dyes, the company also uses other organically-certified dyes — the dyes that did not have heavy metals, were azo-free, and met compliant norms. Vijayalakshmi acknowledges that: “Natural dyes are more expensive.”

Two percent of the proceeds from the sale of Ethicus-branded goods are dedicated to educating a weaver’s child. The children of weavers are given free education at Nachiar Vidyalayam (www.nachiarvidyalayam.org), a school run by Appachi Cotton. In India, traditional crafts and professions like weaving and farming were moving out of popularity. The community members who were engaged in these professions did not show interest in the next generation continuing these professions. “In many of the villages, youngsters are sacrificing their traditional knowledge because they are paid more for working in other sectors,” said Mani. “These are hard jobs with poor returns. Neither farmers nor weavers want their children to follow them into the profession, but if we lose their skills, we lose an important part of our heritage,” opines Mani. “While India is growing, the heritage sector is going out, because there are not enough young weavers anymore. When India is arriving, I want the farmer and my weaver to arrive,” mentioned Mani. Mani started a community college at Nachiar Vidyalayam. The community college was run in association with Indira Gandhi National Open University (IGNOU), located in New Delhi. He continued, “I am trying to educate my weaver’s child through the community college that is run in my school. We are giving training in apparel design and embroidery and they do not have to go back to the loom. If one girl is educated as a textile designer, she will sustain the whole village, the whole cluster. That is what we trying to do in inclusive growth.” In addition to the regular curriculum, Nachiar Vidyalayam also instructs traditional art forms like Mallakhamb, the ancient Indian art of pole gymnastics. The school also integrates dance, drama, music, yoga, and karate into its curriculum. “We are building our own curriculum of weaving, hand spinning, and even designing. So youngsters from the weaver community can become designers rather than weavers and they can sustain the future generation,” said Mani. The school and community college also provide environmental education and values, thereby...
empowering future generations to respect the environment. “If living and working conditions are made attractive enough, the next generation will also take up weaving. Weaving is in their blood. With training and exposure they can make a viable living out of it,” said Vijayalakshmi.³⁴

Going organic ensures the promotion of sustainable agriculture in the Pollachi and Kabini regions, which otherwise could have adopted the cultivation of genetically-modified cotton. “Is Bt Cotton necessary everywhere? There are not many studies assessing how Bt Cotton has impacted the flora and fauna of the region. We should at least have a minimum buffer zone of 20 kms outside the wildlife region where permission is not given for the usage of Bt cotton. There is a possibility that Bt may affect the food-chain of elephants,” cautioned Mani. The Eco-logic program initiated by Appachi Cotton encouraged the farmers to grow traditional varieties of cotton like Suvin. “India had more than 1000 varieties of cotton,” quoted Mani. The company had also entered into a relationship with the University of Agricultural Sciences, Dharwad³⁵ to maintain a gene bank for conserving many of the indigenous seeds. “I can say unequivocally that my farmers are the real winners. Their quality of life has improved. With a healthy farm environment, there is much less sickness, and yields have improved,” said Mani,³⁶ who believes that India’s tradition had been rooted in organic farming. In 2011, the company has a connection with 185 cotton farmers who grow organic cotton in approximately 444 hectares.

The organisation adopted the fair trade philosophy. “I pay above the minimum wages to my employees; no child labour is involved; farmers are paid a premium over the market price while purchasing cotton; and the processes are environment-friendly. Effluent discharge is treated,” explains Mani. “The weavers traditionally work their looms in the cramped confines of their homes all day. But, here in a well-ventilated, clean, and bright environment, they have a chance to move out of their homes and work for fixed hours,” said Mani.³⁷ Appachi Cotton employs 35 people exclusively for Ethicus — 25 in handloom and 10 at the garmenting unit. Appachi Cotton employs another 35-40 people for its EcoLogic cotton, which is mainly exported, as the extra-long staple cotton³⁸ produced by Appachi Cotton had a strong international demand. Appachi Cotton adopted the “Slow Fiber” movement, akin to the “Slow Food” movement,³⁹ and also conducted workshops on this theme for people taking the “Cotton Trail (explained infra).”

Under the Ethicus brand, Appachi cotton also sells products made from “Ahimsa Silk,” a term used for the silk that is manufactured without killing the silkworm. “There are some segments of people who’ve stopped wearing silk because of religious reasons or sentiments. We have created Ahimsa Silk for them,” explains Vijayalakshmi, who belongs to a Jain⁴⁰ community.

“The Cotton Trail,” a 12-day journey between Kabini and Pollachi, was started to communicate the essence of what Ethicus connotes. The trail covers those regions closely associated with the creation of Ethicus products, starting with the farming of organic cotton – the raw material used in Ethicus products. The trail begins at the Kabini Elephant Corridor and extends to the foothills of the Anaimalai Tiger Reserve. It shares its borders with the states of Tamilnadu, Karnataka, and Kerala. The trail covers locations like Bangalore, Mysore, Kabini, Pollachi, and Anaimalai. This trail was a retro-experience, starting with city life in Bangalore and going back 300 years to experience the Indian royalty as expressed in
the palaces of Mysore, visits to organic farmlands and pristine forest regions, and an introduction to spirituality.

**Figure 1: The “Cotton Trail” Journey**


<table>
<thead>
<tr>
<th>Day</th>
<th>Activity</th>
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<tbody>
<tr>
<td>Day 1</td>
<td>Arrival at Bangalore; Pick-up and Check-in; Day to explore the city</td>
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<tr>
<td>Day 2</td>
<td>Travel to Mysore after breakfast; Visit to Mysore Palace; Explore the city in the evening</td>
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<tr>
<td>Days 3, 4, and 5</td>
<td>Exploring Kabini Region (Jungle, Safari, Boating)</td>
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<td>Day 6</td>
<td>Interaction with farmers growing organic cotton; Visit to Sathyamangalam forests</td>
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<tr>
<td>Day 7</td>
<td>Introduction to the philosophical and spiritual teachings from India; Workshop - Introduction to Organic Farming</td>
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<tr>
<td>Day 8</td>
<td>Continuation of sessions related to the philosophical and spiritual teachings from India; Visit to weaver’s village</td>
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<tr>
<td>Day 9</td>
<td>Visiting Annamalai Tiger Reserve</td>
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<tr>
<td>Day 10</td>
<td>Workshop on weaving techniques and handloom at Ethicus Studio, Pollachi</td>
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<tr>
<td>Day 11</td>
<td>Interaction with students of Nachiar Vidyalayam and return to Bangalore</td>
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“Of late, there have been a lot of questions raised by international buyers about certification integrity issues in India. Their apprehensions are genuine, as some projects in India were blacklisted for their fraudulent organic claims. The concept of the ‘Cotton Trail’ started when our clients, who happened to be Italians, wanted to check [the authenticity of] our claims. We told the clients, ‘Forget the certificates, talk to the farmer, see what he is doing, and then you believe it.’” This assessment journey soon became a structured trail when word of mouth communication aroused interest in people. Thus, the Cotton Trail was started. *Ethicus* had entered into the promotion of this Cotton Trail and made investments in a tour website and in forming connections with foreign tour operators, conducting test tours for tour operators and producing related promotional material. The project will break even in three years if Cotton Trail can bring in 5 groups per year. The per person charges amount to USD 2,570 — USD 3,778, depending on the number of people taking the trip, with the minimum being six people in a group. One of the tour appeals was, “At the end of The Cotton
Trail, our guests would have traveled the shortest footprint area recorded for high fashion
textiles that measures only about 300 kilometers and would have witnessed the only such
sustainable organic model of textiles in the world.”

The founders of Ethicus had been telling “The Cotton Trail: the Eco-Logic Story” to as many
people as possible. “Their story must be told” said Mani and Vijayalakshmi. “We will not
stock up our product where the story is not told. We’ll create our own ethical consumers. The
people who’ve traveled as part of the Cotton Trail – they’ve seen the whole chain.” The
partners cited the example of 14 ladies from abroad who traveled the Cotton Trail and then
visited the Ethicus stockroom and conducted a business transaction of two lakh rupees
within two hours: “It touches them; they feel affiliated to the product, and the design is
appealing. We are using the Cotton Trail as a window of opportunity. We have a completely
different perspective of marketing,” said Mani. He also added that some of these members
sponsored amenities that improved the infrastructural conditions of the school run by
Appachi Cotton. “We have to create our own identity. People from abroad ask us, “What is
India and what is ethnic to the country? Also, if I replicate something done elsewhere, I am
taking away jobs from that region. So we have to create something that is indigenous.”

Ethical Consumerism and Market Performance

Both contemporary and organic, the brand is testimony to the fact that fashion can, and
should be, responsible and aware. Style needs to take into account circumstances and
opportunities, which is what this duo has done.

— Nandhini Parthib, Principal Correspondent, India Today

Ethicus is a combination of “Ethics” and “Us.” “As we desired to
create our own identity
involving farmers, us and the
weavers, we also felt that
may be the final customer is
also longing for an Identity in
this faceless world. May be
he is looking for an
opportunity to establish it, by
making a style statement
that would amplify his belief
system. So if we earnestly
pursued ‘ethical’ business practices at Appachi Cotton, we felt the need to extend the
platform to the final customer. We have to help them join and share our ‘ethics,’ as he/she
is an integral part of ‘us.’ ‘Ethics’ and ‘Us’ thus became Ethicus” said Vijayalakshmi. During
the Mumbai launch, Ethicus gave a cotton sapling to all the visitors to its exhibition. The
visitors were asked to grow that cotton, harvest it, and send to Ethicus, to be gifted with an
Ethicus handkerchief. Through this initiative, Ethicus wanted to communicate the challenges
met by the cotton farmer during the growing of cotton. The company received more than 50
responses. The website of Ethicus quotes: “When you take home an Ethicus product, you
do more than just buy a brand...you buy a cause.” “There is a growing sense of ethical
consumerism. Customers want to know the origins of the products that they are buying and
hence do their bit for the environment in whatever small way they can,” states Mani.

Brand Logo of Ethicus

felt that for a city-dweller, one of the simplest ways to help the environment was to choose a product that is produced responsibly. “By wearing organic cotton, one shows one’s commitment to the environment,” mentioned Mani.47

Each Ethicus product has a tag bearing a stamp-sized photograph of the weaver. “When we tied this, he (the weaver) had tears in his eyes. He has been doing this for many years, and nobody knew who he was in the value chain,” said Mani. In addition to the photograph, the name of the weaver and the time taken to produce the work was also mentioned in the tag.

Stakeholders were much appreciative of the concept. Pankaja Srinivasan (Pankaja), Assistant Editor, The Hindu, met Vijayalakshmi and Mani at one of the fashion shows and learned about the organic endeavor of Appachi Cotton. She visited the Ethicus workshop at Pollachi and subsequently, wrote a cover story in the Hindu MetroPlus weekend edition. Pankaja said, “I was floored by their effort to give the farmers and weavers their due recognition and make it a point to include them in the marketing of their final product. I was charmed by the tags on their products that had the picture and details of the weaver and how long he took to weave that particular product. It was great value addition to the product in my opinion and a great incentive and boost to the weaver who would otherwise have gone unrecognised and faceless.” Hansdak Shuchi, Textile Designer, Reid & Taylor, choose to do her four-month internship with Ethicus while she was a textile design student the National Institute of Fashion Technology (NIFT), New Delhi. Commenting on her experience, Shuchi noted: “I have always wanted to work with clusters dealing with traditional textiles as well as an organisation working for causes. Ethicus is one of those organisations which works with the traditional handlooms that I have a fascination for. It also empowers the diminishing craft of handwovens as well as supports the cause of green, which is most demanding in the current times.”

The products under the Ethicus brand name include saris, stoles, skirts, jackets, kurtas, shirts, tops, scarves, duppattas, knitted T-shirts, infant clothing and accessories, bed and table linens, curtains, cushions, and yoga mats. Ethicus ventured into markets like Mumbai, Coimbatore, Kochi, Chennai, and Hyderabad, primarily through exhibitions. “This is a living example of how design goes beyond boundaries; it’s not just about motifs or dyes,” said Chelna Desai, a Mumbai-based fashion designer.48 The media has given positive reviews about their products. An article in The Hindu asserted: “If clothing with conscience is your mantra, then the Ethicus brand should well be a part of your wardrobe. For here, Ethics meets Us...”49 Ethicus products are also featured in fashion boutiques in Chennai, Bangalore, Hyderabad, Pune, Mumbai, Goa, New Delhi, and Kolkata. Ethicus evoked good response in exhibitions with sales charting above INR 10 lakhs (typically, sales averaged five lakhs in such exhibitions for other brands). The first exhibition itself netted INR 17 lakhs. In the first year of its operations, Ethicus generated revenue of INR 60 lakhs. “The customer is open to the idea of spending a little more to make a responsible choice,” said Mani.50 However, as the company incurred significant expenses in the initial year due to brand building expenses related to the launch of Ethicus, the brand is yet to achieve a surplus. It
was the profits from Appachi Cotton that subsidized the launch of Ethicus. Absorbing the losses of Ethicus, Appachi Cotton broke even in 2010.

The founders have nurtured their idea into a brand. “We have a number of Italian designers who are interested in us. And we ourselves felt that handloom is our country’s strong point, something that we need to tap into. So, instead of focusing on the export market, we nurtured it into a brand,” said Vijayalakshmi. The customer wouldn’t pay a premium on a product that looks just like a conventional textile product,” said Mani. Mani and Vijayalakshmi felt that Ethicus should be a synonym for exemplary quality, and being eco-friendly was a value addition. They wanted the customers to buy Ethicus products as satisfied customers – not driven by a feeling of guilt or concern. Mani and Vijayalakshmi were of the opinion that the organic movement will not sustain if it was built on fear and guilt. While the company wanted to promote organic products, it was also focused on quality fashion. Tripti Aiyyar (Aiyyar), one of the earliest customers of Ethicus, said to the case author, “I liked the weaves and the colors offered by Ethicus. They seemed very Banarasi – not usually seen in cotton. In addition to the fabric, I also liked the people associated with the product. I bought four or five of all the types they had.” Sanjeev Manglani, Managing Director, Kalpana, a New Delhi-based outlet focusing on sari retail, said that the customers were asking for more designs, colours, and textures in Ethicus. He also asked for thematic collections, better blouses, and more favorable pricing.

Hisam Usman, who runs Silkworm Boutique, a Chennai-based, stand-alone designer apparel store for women, said that everything about Ethicus is positive. “That’s why I have it in my store.” He said that customers are curious about the product and they appreciate the designs and feel of the fabric. His store also witnessed repeat customers for Ethicus, albeit in a small number. Similar sentiments were echoed by other retailers who displayed the newly-launched Ethicus products alongside established designer labels. This included Bombay Electric and Melange (based in Mumbai), Rudraaksh (based in Pune), Amethyst and Collage (based in Chennai), and Elahi (based in Hyderabad). Nalli Silks, a chain of apparel stores based in Chennai and considered a synonym for quality saris, took design and manufacturing help from Ethicus for creating a sari during the high-profile marriage of Lakshmi Venu (daughter of Venu Srinivasan, Chairman, TVS Motors) and Rohan Murthy (son of N. R. Narayana Murthy, Chairman Emeritus, Infosys Technologies).

Prabha Nagarajan, Regional Director – India, Textile Exchange (formerly, Organic Exchange), an international non-profit organisation that supports the growth of organic cotton, stated that Ethicus is a good business model demonstrating “how long-term partnerships can benefit all stakeholders...By branding organic cotton grown sustainably, by making the links to the value chain visible, and by producing innovative and beautiful handloom garments and home textiles, Mani and Viji Chinnaswamy have created something for the domestic market in India that should inspire many more.” She continued: “Ethicus represents what they (the government) should aspire for, and include in policy. Organic does not permit BT seeds. The GOI (Government of India) has promoted BT Cotton in such a big way that non BT Cotton in the country is almost extinct.”

**Making the Idea Viable**

The current price for an Ethicus cotton sari ranges from between INR 3500 to 7000 and for
a silk sari, INR 8,000 to 19,000. Saris also exhibited the highest turnover. The target market for the Ethicus product is for the late 20s to 40s age category. Customers like Aiyyar believe that the products of Ethicus were somewhat steeply priced and that the company should introduce more colours and textures. A similar sentiment was echoed by Pankaja, who said, “I understand that the fact that everything is organic and so adds to the cost of the final product. Still, if the Ethicus products along with their story were accessible to a larger section of the people, maybe the awareness and the desire to support such causes would be more widespread. At the moment the products can only be bought by the high-end customers.” Appachi Cotton has now planned to start a sari range in Ethicus starting at INR 2500. Ethicus developed a Facebook page to communicate its organisational developments and to receive customer feedback. In less than two years, the company has connected with almost 2000 fans through Facebook. Ethicus is also exploring the possibility of selling its products online.

“Ethicus is at their nascent stage. So they may be having difficulty in understanding markets. However, all weaknesses are windows of opportunities. They are the right place, at the right time. They are not big, and they are not starting fashion apparel in big way. So they can easily clear the hurdles. They can get into markets that nobody else would know about,” said Rahul Mishra (Mishra), a known fashion designer in India. Mishra believes that Appachi Cotton must continue to focus on their ideology. He added, “In my opinion, starting a brand is like starting a religion. It takes time. Soon, there will be followers. The founders of Ethicus need to believe in themselves. Troubles are windows of opportunities. Having troubles mean that you will be guaranteed a good future. They have to stress on their ideology in as simplistic a way as possible. Simplicity that is visible in their product and lifestyle. Process can be complex, but the product needs to be simple.”

“Ethicus is still at a state of incubation. We are investing for the future. It will take another 3-5 years to make this venture sustainable. Brand building is a slow process and customer interest is gradually picking up,” said Mani. Out of the 42 looms at the Ethicus studio, only 22 looms were utilized at a given point of time. Mani’s idea was to run a business where each of those 42 looms manufactured six saris a month. “Then, I would like to adopt a weaver’s village, where all the weaving will be done, and this space (where weaving is currently done), will be converted to a full-fledged design studio,” added Mani. Vijayalakshmi had been focusing on ensuring that their vision would be manifested into visible and tangible results: “You cannot ride on a dream. Production planning is necessary. My brother is helping us with the business aspects of the endeavor. We have also hired a consultant, who has experience in fashion and retail, to help us out with the pricing aspects of Ethicus branded products.” More integration was brought into the company. Ginning and garmenting were done in-house while functions like spinning and processing were done with the help of other family-owned businesses. Spinning was done by Pollachi-based Ace Tex, a GOTS certified spinning unit owned by Lakshmanan, cousin of Mani. Wet processing was performed by Premier Fine Fabrics Ltd, a unit of Premier Mills, a GOTS Certified unit based at Perundurai.

**Values and Beliefs of the Founders**

Mani remembered, “Once my entire stock of cotton, worth 60 lakhs, was up in flames. I was doomed. There was a message, ‘Stop! This is not for you. Turn back and go elsewhere.’
However, I pursued. I said, ‘Ok, I’ll have better insurance next time!’ Then I went to Madhya Pradesh and bought the entire cotton stock, thinking that markets would rise and I’ll be a billionaire overnight. The markets tanked. The mills refused to buy. My friends refused to buy. After stocking the cotton for a year, I sold it, at half the price. There are very subtle things that we need to keep a track of. These are messages from above. It is all in us. If we can fine-tune to that frequency, the message is very subtle, but very sure.” He believed that guidance would drive business decisions as long as the individual could fine-tune to that frequency.

Mani and Vijayalakshmi considered Vethathiri Maharishi as their spiritual guide. They considered themselves to be a “tool” in the hands of a higher power. “How else can you explain about my journey to a no-man’s land in Madhya Pradesh, without me having expertise in their language, and still getting the support of 3000 farmers?” asked Mani. He continued, “Vethathiri Maharishi was also a weaver, by profession. He used to say that our actions should not hurt anyone at the level of body or soul.” In order to create an enterprise that aligns with such an ethos, Mani and Vijayalakshmi worked 16-18 hours every day, seven days a week. “Vethathiri Maharishi says, ‘When you eat a handful of rice from your plate, do you realize the efforts of so many people that have gone to that handful?’” mentioned Vijayalakshmi. *Ethicus* was a steep learning curve for the duo. Mani believes that a business needs to be socially-conscious, should evolve keeping society’s needs in mind, and should not benefit by harming others. He cited the example of the dyeing industry in the Tiruppur region of Tamilnadu that had suffered major losses as a large number of dyeing factories had been closed. This happened after a court ordered the closure of dyeing units that discharged untreated effluents into the river Noyyal, thereby killing the river’s ecosystem and made farming impossible. *Ethicus* was one of the few organizations that broke that trend and continued to move forward. “At no point of time did I have a dilemma of this business not being financially sustainable,” asserts Mani. As the case author bid good-bye to the partners, he thought: “Will this enterprise be financially sustainable? If yes, it would certainly be raising the bar on how a business, especially textile [-based], could be run.”

**Endnotes**

1. In 1959, Jawaharlal Nehru, the then Indian Prime Minister, gave permission for Tibetan refugees to settle in various regions across India.
8. CMAI, based at Mumbai, is an association representing more than 20,000 companies from the Indian apparel industry.


A UK-based charity that campaigns for human dignity and environmental issues.

Pesticide Action Network is coalition of more than 600 NGOs and individuals from more than 90 countries.

A North American association of organic businesses.


Released by Organic Exchange in May 2010.


Kabini, in Karnataka, is also one of the popular wildlife destinations.

Nagarhole National Park is located 94 kilometers from Mysore in Karnataka in South India. It is located to the northwest of Bandipur National Park. It is spread between the Kodagu district and the Mysore district. Kabini reservoir separates the two districts.


MYRADA has experience in rural credit programmes in Southern India. It also works in areas related to Micro-watersheds, Forestry, and Resettlement.


Azo dyes may be mutagenic, carcinogenic, allergic, and are not biodegradable.


Located in Karnataka, India.


Also known as Pima cotton, Egyptian cotton, etc. Extra Staple Cotton has a staple length of 1-3/8” or more.

This is an international movement founded by Carlo Petrini in 1986 that strives to preserve traditional and regional cuisine and is considered an alternative to fast food. It encourages foods characteristic of the local ecosystem. The “Slow Fiber” movement is considered to be a “thoughtful approach of textile making and textile design.” For more details, refer to http://shiboriorg.wordpress.com/projects/slow-fiber/.

Jainism is a religion that prescribes pacifism and a path of non-violence towards all living beings.

References


Author Biography

AJITH SANKAR R.N. is an Assistant Professor, PSG Institute of Management, Coimbatore, India. He co-authored the book, Indian Ethos and Values in Management, published by Tata McGraw Hill. He has worked in the verticals of Retailing, Media, and Business and Equity Research, and is associated with two start-up companies. His case studies and caselets have been published in various national and international journals, and several are considered best-sellers. He has completed all the three exam levels of the “Chartered Market Technician” programme offered by Market Technicians Association, NY, U.S. His doctoral research is in the area of spirituality and organizations. He earned his MBA from the University of Hyderabad, focusing on Environmental Management and Human Resources Management. Ajith also holds a Bachelor’s Degree in Psychology from Annamalai University and a three year, full-time diploma in Hotel Management from IHMCTAN, Mumbai.

Ajith can be reached at ajithsrn@ecologyfund.net.