

Business Leadership and Morality

Remarks by
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On receipt of the “Legend of Leadership” Award



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It would be a special honor for *any* American businessman to receive the award you present this evening. But, truth told, when it is a Princeton alumnus who is honored by our traditional rivals at Yale, the honor surely approaches the awesome.

As some of you may know, it was a fortuitous event at Princeton University that brought me into the mutual fund industry, where I have spent my entire career. In December 1949, I happened upon an article in *Fortune* magazine—“Big Money in Boston”—that described this “contentious and rapidly growing industry.” Inspired, I chose it as the topic for my senior thesis, and produced a paper that—for all of its callow idealism and stylistic flaws—was good enough to earn me my first full-time job, at Philadelphia’s Wellington Fund.

I spent 23 years at Wellington, the last seven as its CEO. In early 1974, I was fired. So I started Vanguard, and spent another 23 years in the same capacity. During the past five years, I’ve been serving the firm I created as “ambassador,” a term coined by the Yale Chief Executive Leadership Institute’s Jeffrey A. Sonnenfeld in “The Hero’s Farewell.” I’ve been doing my best to live up to the high standard of grace he set out. My efforts are focused on Vanguard crewmembers and clients, on urging the mutual fund industry to meet higher standards, and on being a voice—at first almost alone in the wilderness, but now with some mighty fine allies—for reform in accounting standards and corporate governance, and for the ethical conduct of finance and commerce.

Whether writing about the fund industry all those years ago, or building two business organizations, or challenging our system of democratic capitalism to improve, one over-riding theme has permeated my efforts: To assure that business is based on trust, fair dealing, and human decency. The idea, as I expressed it in my book *Character Counts*, is to build an enterprise that stands for something, something good and true and honorable. Why? Because the benefits of trust—of trusting and of being trustworthy—are essential to the long-run success of any business in a free society.

In one of the most remarkable coincidences of my career, that very same December 1949 issue of *Fortune* with the mutual fund article that inspired my thesis carried a feature essay entitled, “The Moral History of U.S. Business.” The essay attempted to answer this question: “What are the moral credentials for the social power (the businessman) wields?” It was a wonderful perspective on some of the non-pecuniary motives that drive business leaders: “the love of power, altruism, pugnacity, patriotism, the hope of being remembered through a product or institution.” I freely acknowledge this mixture of motives, even as I suspect that they may have something to do with the singular award with which you honor me this evening.

The essay begins, fairly enough, with Benjamin Franklin’s favorite words, “industry and frugality.” (They were easy enough for me to relate to!) But when I recently reread that essay, what overwhelmed me was this mid-19th century description of the good merchant: “An enterprising man not

in haste to get rich, willing to run some risks, yet not willing to risk in hazardous enterprises the property of others entrusted to his keeping, careful to indulge in no extravagance and to live within his means . . . Simple in his manner and unostentatious in the habits of life . . . *not merely a merchant but a man*, with a *character* to form, a *mind* to improve, and a *heart* to cultivate.”

Wow! Those words struck home with me like a ton of bricks. As for character, I’ve done my best to invest my own soul and spirit in the character of the two firms I’ve run, and in my subsequent ambassadorship. As for the mind, I still strive every day—I really do!—to improve what is, truth told, a fairly pedestrian mind, indeed one which, in wonderful paradox, has been described as possessing only “the uncanny ability to recognize the obvious.”

As for the heart, what can I really say? In just a few weeks, I’ll begin the eighth extra year of my second chance at life, miraculously granted to me through a heart transplant in February 1996—a *new heart*, now just 32 years old! For some mysterious reason, however, that new heart seems to beat in exactly the same way the old one did—a drum-beat whose message remains ever the same: *Without virtue, leadership is nothing*. Business leaders will achieve their greatest potential for their firms and themselves alike by looking to the interests of our society, putting their work, their will, and their world in the service of others.

The opinions expressed in this speech do not necessarily represent the views of Vanguard’s present management.
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