



## Winners Never Cheat: Lessons for Today's Business Leaders

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In 1970, Jon M. Huntsman started a small entrepreneurial firm with his brother. By 2000, Huntsman Corp. had grown to become the largest privately held petrochemical and plastics business in the world. Today, Huntsman is a billionaire philanthropist who recently donated \$225 million to establish the Huntsman Cancer Institute at the University of Utah. He has also contributed millions of dollars to help rebuild the country of Armenia; supported organizations that feed the poor, house the homeless and protect victims of domestic violence; and provided numerous high school students with college scholarships.

Huntsman himself was the recipient of an academic scholarship to Wharton where he received the Most Outstanding Graduate Award. He went on to earn an MBA and receive 12 honorary degrees from various universities. Since his graduation from Wharton, he has donated more than \$50 million to the school.

In his new book, *Winners Never Cheat: Everyday Values We Learned as Children (But May Have Forgotten)* ([Wharton School Publishing](#)), Huntsman offers a "moral compass" for business leaders and others to live by that is based on his own experiences. In the book, he reflects on his childhood in Blackfoot, Idaho, his family -- he and his wife Karen have nine children and 52 grandchildren -- his position as special assistant to Richard Nixon, his two battles with cancer, and his experiences building an extremely successful business based on "honest, ethical practices."

He has earned the praise of people from all over the world. In 2001 he was presented with the Entrepreneur of the Year Award; in 2003 he received the Humanitarian of the Year Award from CNN's Larry King; and in 1994 he was given the Kaveler Award as the chemical industry's most outstanding CEO. Prior to that, the country of Armenia gave him its highest award -- the Medal of Honor. He is on the Board of Governors of the American Red Cross and chairman of its Biomedical Services Committee.

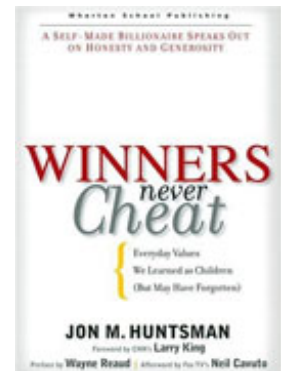
When Huntsman Corp. went public in early 2005, it had annual revenues exceeding \$12 billion and major operations at 121 locations in 44 countries.

*Winners Never Cheat* is Huntsman's explanation of the principles at the heart of his business success. They include:

- Compete fiercely and fairly -- but no cutting in line
- Set the example -- risk, responsibility, reliability
- Revenge is unproductive: Learn to move on
- Operate businesses and organizations as if they are family-owned.

Huntsman also stresses, among other principles, the importance of surrounding oneself with associates who listen to their conscience and act accordingly; of treating customers, colleagues, employees and competitors with respect; and of returning favors and good fortune by helping out those less fortunate.

Below is an excerpt from *Winners Never Cheat*.



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### Chapter 3: Play By the Rules

Compete fiercely and fairly -- but no cutting in line.

Which rules we honor and which we ignore determine personal character, and it is character that determines how closely we will allow our value system to affect our lives.

Early on, infused with moral purpose by those who influenced us, we learned what counted and what didn't. The Golden Rule, proper table manners, respecting others, good sportsmanship, the unwritten codes such as no cutting in line and sharing -- all these allowed us to develop character.

Character is most determined by integrity and courage. Your reputation is how others perceive you. Character is how you act when no one is watching. These traits, or lack thereof, are the foundation of life's moral decisions. Once dishonesty is introduced, distrust becomes the hallmark of future dealings or associations. The eighteenth-century Scottish philosopher Francis Hutcheson had this in mind: "Without staunch adherence to truth-telling, all confidence in communication would be lost."

Businessmen and -women do not place their integrity in jeopardy by driving hard bargains, negotiating intensely, or fiercely seeking every legitimate advantage. Tough negotiations, however, must be fair and honest. That way, you never have to remember what you said the previous day.

I bargain simply as a matter of principle, whether it is a \$1 purchase or a \$1 billion acquisition. Negotiating excites me, but gaining an edge must never come at the expense of misrepresentation or bribery. In addition to being morally wrong, they take the fun out of cutting a deal.

Bribes and scams may produce temporary advantages, but the practice carries an enormous price tag. It cheapens the way business is done, enriches only a few corrupt individuals, and makes a mockery of the rules of play.

In the 1980s, Huntsman Chemical opened a plant in Thailand. Mitsubishi was a partner in this joint venture, which we called HMT. With about \$30 million invested, HMT announced the construction of a second site. I had a working relationship with the country's minister of finance, who never missed an opportunity to suggest it could be closer.

I went to his home for dinner one evening where he showed me 19 new Cadillacs parked in his garage, which he described as "gifts" from foreign companies. I explained the Huntsman company didn't engage in that sort of thing, a fact he smilingly acknowledged.

Several months later, I received a call from the Mitsubishi executive in Tokyo responsible for Thailand operations. He stated HMT had to pay various government officials kickbacks annually to do business and that our share of this joint obligation was \$250,000 for that year.

I said we had no intention of paying even five cents toward what was nothing more than extortion. He told me every company in Thailand paid these "fees" in order to be guaranteed access to the industrial sites. As it turned out and without our knowledge, Mitsubishi had been paying our share up to this point as the cost of doing business, but had decided it was time Huntsman Chemical carried its own baggage.

The next day, I informed Mitsubishi we were selling our interest. After failing to talk me out of it, Mitsubishi paid us a discounted price for our interest in HMT. We lost about \$3 million short term. Long haul, it was a blessing in disguise. When the Asian economic crisis came several years down the road, the

entire industry went down the drain.

In America and Western Europe, we proclaim high standards when it comes to things such as paying bribes, but we don't always practice what we preach. Ethical decisions can be cumbersome and unprofitable in the near term, but after our refusal to pay "fees" in Thailand became known, we never had a problem over bribes again in that part of the world. The word got out: Huntsman just says no. And so do many other companies.

Once you compromise your values by agreeing to bribes or payoffs, it is difficult ever to reestablish your reputation or credibility. Therefore, carefully choose your partners, be they individuals, companies, or nations.

I have a reputation as a tough but straightforward negotiator. I deal hard and intensely -- and always from the top of the deck. Because it is perceived I usually end up on the better side of the bargain, I actually had one CEO refuse to negotiate a merger with me. He was afraid he would be perceived in the industry as having "lost his pants" or that he sold at the wrong time for the wrong price, but I have never had anyone refuse to deal with me for lack of trust.

Competition is an integral part of the entrepreneurial spirit and the free market. Cheating and lying are not. If the immoral nature of cheating and lying doesn't particularly bother you, think about this: They eventually lead to failure.

Remember the old chant: "Winners never cheat; cheaters never win"? And, as kids, we would chide those whom we perceived to be not telling the truth with: Liar, liar, pants on fire. Those childish taunts actually hold true today. Moral shortcuts always have a way of catching up.

In the Shinto religion, there is this teaching: "If you plot and connive to deceive people, you may fool them for a while and profit thereby, but you will without fail be visited by divine punishment." I hasten to add that temporal judgment also awaits. There is always a payback for indecent behavior.

Consider this parable: On a late-night flight over the ocean, the pilot announces good news and bad news. "The bad news is we have lost radio contact, our radar doesn't work, and clouds are blocking our view of the stars. The good news is there is a strong tailwind and we are making excellent time."

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There are many professions in which one can find examples of hollow values, but nowhere is it more evident than on Wall Street, where the ruling ethos seems to be the more you deceive the other guy, the more money you make. It was none other than Abraham Lincoln who reminded us: "There is no more difficult place to find an honest man than on Wall Street in New York City."

I have spent nearly 40 years negotiating deals on Wall Street and have found few completely honest individuals. Those who are trustworthy and honorable are rare but wonderful professionals. Some of my closest friends are found in this small cadre, be they in New York City or Salt Lake City. Those who choose to mislead others discover that this is not the type of corruption that sends people to prison. It is more a matter of intellectual dishonesty and lack of personal ethics. Compensation has replaced ethics as a governing principle. Wall Street has but one objective and one value: How much money can be made?

Wall Street thinks there is nothing wrong with this sort of behavior because everyone does it, but the lack of a sense of integrity also produces a lack of respect. WorldCom, Tyco, Enron, and other giant companies had leaders who failed to play fair. Because they cheated, they lost. Accumulation of wealth became a driving force to these executives. They forgot the golden rule of integrity: Trust is a greater

compliment than affection. With integrity comes respect.

Real winners never sneak to finish lines by clandestine or compromised routes. They do it the old-fashioned way -- with talent, hard work, and honesty. It's okay to negotiate tough business deals, but do it with both hands on the table and sleeves rolled up.

Make it a point to never misrepresent or to take unfair advantage of someone. That way, you can count on second and third deals with companies after successfully completing the first one. Have as a goal both sides feeling they achieved their respective objectives.

In 1999, I was in fierce negotiations with Charles Miller Smith, then president and CEO of Imperial Chemical Industries of Great Britain, one of that nation's largest companies. We wanted to acquire some of ICI's chemical divisions. It would be the largest deal of my life, a merger that would double the size of Huntsman Corp. It was a complicated transaction with intense pressure on each side. Charles needed to get a good price to reduce some ICI debt; I had a limited amount of capital for the acquisition.

During the extended negotiations, Charles' wife was suffering from terminal cancer. Toward the end of our negotiations, he became emotionally distracted. When his wife passed away, he was distraught, as one can imagine. We still had not completed our negotiations.

I decided the fine points of the last 20 percent of the deal would stand as they were proposed. I probably could have clawed another \$200 million out of the deal, but it would have come at the expense of Charles' emotional state. The agreement as it stood was good enough. Each side came out a winner, and I made a lifelong friend.

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Every family, home, and school classroom has its standards. There is little confusion over boundary lines. Even professing not to understand the rules when caught breaking one acknowledges a transgression has occurred. But what happens when some of these children turn into adults? Why are these home and classroom rules so ignored? Why is improper behavior rationalized, even justified, when inside we know better? Some sinister force must take over in the late teens in which finding ways to circumvent traditional standards becomes acceptable.

As a teenager, my father would order me to be home by 8 o'clock. He didn't say "a.m." or "p.m." I knew he meant 8 that night. There was no fine print to detail what was meant when he said he did not want "me" driving the family Ford. Although technically, he only said I shouldn't drive that 1936 Ford coupe, he was including my friends. (A lawyer might have counseled that, technically, only I was prohibited. Unless my dad specifically stipulated my buddy or class of people in that prohibition, anyone but me was legally allowed to drive, but I knew better.)

As we grow older, our rationale for not abiding by the rules would make a master storyteller green with envy. We blame situations or others. The dog ate the homework that we ignored. We rationalize that immoral behavior is accepted practice. Shifting responsibility away from ourselves has become an art form.

In fact, we employ the same feeble excuses we did as children when we were caught doing something improper, something we knew we shouldn't be doing. Adults believe they are more convincing. We aren't. The "everyone does it" line didn't work as a teenager, and it won't work now. It's a total copout and easily trumped. Everybody is not doing it. Even if they were, it still is wrong -- and we know it's wrong.

Then there's that old, sheepish excuse: "The devil made me do it." The devil never makes you do anything. Be honest. Improper actions often appear easier routes, or require no courage, or are temporarily advantageous.

If only Richard Nixon had admitted mistakes up front and taken responsibility for the improper conduct of his subordinates, something deep down he knew to be wrong, the American public would have forgiven him. With a sense of contrition, he could have created a presidential benchmark.

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Children observe their elders so they know how to act. Employees watch supervisors. Citizens eye civic and political leaders. If these leaders and role models set bad examples, those following frequently follow suit. It's that simple.

There are no moral shortcuts in the game of business -- or life. There are, basically, three kinds of people: the unsuccessful, the temporarily successful, and those who become and remain successful. The difference is character.

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