“Business has to have a role that’s beyond what’s just ‘the most useful for me’ – whether that’s short-term profits or even long-term shareholder value,” said Professor of Strategic and International Management Sumantra Ghoshal, in his last interview with Business Strategy Review before his death in 2004 at the age of 55.

His words seem prescient now and he had a stark warning for global companies: “They have to understand that, historically, whenever the most important institution of the time has not understood its role, then that institution has declined. That happened with the monarchy, with organised religion, and I believe it will happen to global corporations unless leaders recognise the profoundly important role they play in modern society and acknowledge, with a show of legitimacy, the social interface as an integral part of their individual and collective strategy.”

**Human capital**
That ‘social interface’ was the theme of Ghoshal’s work in his final years when he held the Robert P Bauman Chair of Strategic Leadership at London Business School. He believed business philosophy had to change from the pursuit of finance as the scarce resource to a pursuit of human capital as the scarce resource – with all its ideas, knowledge and entrepreneurship. “You can’t manage talent and people with the core management philosophy of strategy, systems and structure,” he said. “We are moving beyond strategy to purpose, beyond structure to process, and beyond systems to people.”

The purpose, process, people model had been at the heart of his 1997 book The Individualized Corporation co-authored with Christopher Bartlett of Harvard Business School. And it led to one of Ghoshal’s best-known insights about the importance of the underlying environment in a company. He believed it was up to managers to create the right environment to bring out the best in people and he had a great story to illustrate the point.

**Are your workers energised?**
Ghoshal would compare visits to his relatives in downtown Calcutta in July with the time he spent in the forests of Fontainebleau in the spring. In hot, humid Calcutta he said he felt tired and sleepy, with no energy. In the fresh air of Fontainebleau, he said, he was full of energy and ideas.

And then he would ask his audience: Which company does that remind you of? Is your company full of passionless workers or energetic people?

“For Sumantra, the most fundamental principle was that whether or not you get energy and passion out of your people is not a function of training but of the underlying environment,” says his colleague at London Business School, Professor Costas Markides. “His view was that unfortunately most companies, especially big ones, have created ‘downtown Calcutta in mid-July’ inside themselves and consigned their employees to a low-energy status.”

**A better business and social partnership**
But even in that final Business Strategy Review interview in 2003, Ghoshal was optimistic. He was hopeful that the bitter rhetoric of the turn of the millennium, which saw protestors pitted against big business in demonstrations such as those at the 1999 World Trade Organisation conference in Seattle, would give way to recognition of the need for a partnership. “I am optimistic that out of this direct confrontation a world will arise where a business and social partnership will occur that will be economically, socially and morally better than the one we’ve seen for the past 50 years,” he said.

We might still be waiting for that world to fully materialise, but Ghoshal was always interested in the trends shaping our times. His best-known book, also with Bartlett, was Managing Across Borders published in 1988 and picked as one of the 50 most influential management books by the Financial Times. In it the authors tried to steer a course for international companies juggling the forces of globalisation, technology, and new political blocs and economic alliances. They worked with some 236 managers in nine core companies to see how they were dealing with these challenges and said that as academics their task was nothing compared with the “large and complicated world that the managers were wrestling with”.

**The transnational**
The authors looked at Jack Welch’s transformation of General Electric, the emergence of Matsushita, the struggles of Philips, Proctor & Gamble’s thrust into international markets, Unilever’s defence of its dominant world position, the efforts of Kao to enter new markets, along with the behaviour of Ericsson, NEC and ITT. From their research they built a new model for international companies – the transnational. This flexible company was designed to meet the simultaneous demands of the modern business world for global efficiency, local responsiveness and continuous innovation and learning.

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Interestingly, back in 1988 Bartlett and Ghoshal didn’t know of a company that represented the transnational. But in researching the second edition of *Managing Across Borders*, published in 1998, they found one. At ABB, Percy Barnevik created what they called “one of the best examples of a transnational company” from the merger of an archetypal multinational, Brown Boveri, with an old-line international organisation, Asea. And the book describes how the organisation was created by changing structures and processes and most importantly, by changing behavioural norms and cultural values.

**Think global, act local**

Professor of Management Practice Lynda Gratton remembers working with ABB alongside Ghoshal on the School’s Global Business Consortium. “I remember that ABB at that time was the world’s most admired company,” she says. “It was all about the idea of ‘think global, act local’. And since then that’s become a more sophisticated way of thinking about international companies – how do you balance pulling organisations together but still acknowledging their differences.”

Ten years on from his premature death, Ghoshal is still remembered by people at London Business School and around the world for his dynamism and energy. “He was an amazing individual,” adds Markides. “And he really left a legacy of energising people to go out and make a difference in the world.”

*Sumantra Ghoshal was at London Business School from 1994 to 2004. He was Professor of Strategic and International Management and held the Robert P Bauman Chair of Strategic Leadership.*