

The carrot, the stick and Chinese philosophy in 21st century leadership

More than 2,000 years have passed, but ancient Chinese theorist Han Fei's doctrine on the problems faced by leaders remains directly applicable today.

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Han Fei (280- 233 B.C.) was a Chinese philosopher from the so-called Legalist school who lived during what was known as the Warring States Period. This was a turbulent era of Chinese history, prior to unification, in which different states and schools of thought fought for hegemony.

The book that explains his doctrine, *Han Feizi*, is a seminal work on political strategy. Its fame arises not only from the wisdom of the observations expressed in its 55 chapters, but also for its style, which is considered one of the best examples of classical Chinese prose.

[A new book](#) by IESE's [Kimio Kase](#), [José Ramón Pin](#) and [Guido Stein](#), along with Ignacio Olivares (EMBA '10) examines 10 of the 55 chapters from the point of view of their areas of expertise in management, strategy and human resources. Their interpretations build a bridge to make the lessons of one of the most influential philosophers applicable to modern managers and leaders. Not least among those lessons: that the incentives-based method of management has been working for at least 2,000 years.

Timeless questions

Han Fei's work still surprises with its timeless relevance in identifying key issues that leaders must face. These issues include the establishment of rules and principles for good governance, the need for a recognized authority to enforce these rules, the importance of effective delegation, the pitfalls and temptations to be avoided, and tactics and tools for

ending corruption.

Despite the 2,000 years that have passed since they were first put to paper, Han Fei's recommendations remain valid and vital. Indeed, the authors point out that while the structures of power may transform over time, human nature remains unchanged.

Rewards and punishment

A fundamental idea in Han Fei's work and the Legalist school in general is the need to establish rules for administering rewards and punishment. This undertaking belongs to a society's leader, and is a task, the philosopher insists, in which clarity of purpose and simplicity are paramount.

If rewards are attainable and punishment can be avoided easily -- Han Fei explains with the metaphors and comparisons typical of inductive reasoning -- people will be more likely to consistently do the right thing.

This observation connects directly with the ideas that serve as the pillars of the modern incentives-based system. It insists on the need to set realistic goals in order for these systems to be effective.

The core of the observation is not just a question of meting out rewards, however, but rather of encouraging good behavior. In fact, confronted with the concept of the *potestas*, or power through force, the basis of the totalitarian governments of his era, Han Fei suggested that *auctoritas*, or power through moral authority, was the ideal tool for leading organizations and encouraging better behavior.

Notably, it was Han Fei who advanced the idea -- widely accepted today -- that an inspiring leader, one who instills admiration and respect, is much more effective than one who simply exercises power by wielding the threat of sanctions and punishment. Even in ancient China, it seems, the carrot was more effective than the stick.

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