It's Official

Upgrade in Principles of Corporate Governance, Long Overdue

This past summer, the Business Roundtable (a lobby group for business interests, one of the largest organizations in America) changed its long-held position on the role of a corporation.

No longer is it as simple as Milton Friedman's pronouncement in 1970, that "the social responsibility of business is to increase its profits" and therefore enrich shareholders.

The Business Roundtable has altered its Principles of Corporate Governance to now **include** *delivering value to customers, providing employees with fair compensation, benefits, training, and "dealing fairly and ethically with suppliers." Further, their principles demand that businesses will "...protect the environment and generate* **long-term** *value for shareholders." (Emphasis on long-term was intentionally added.)*

The late Milton Friedman was a scholar, author, researcher, and intellect of great renown. Awarded the 1976 Nobel Prize for Economic Science he worked in government in his early years but remained a scholar and university man for most of his career. His economic theories, including that one about business responsibility (see above), have dominated board rooms and Wall Street since the 1960's. Perhaps a small government libertarian by heart, I like this quote of his (more than some others), "The great virtue of a free market system is that it does not care what color people are; it does not care what their religion is; it only cares whether they can produce something you want to buy. It is the most effective system we have discovered to enable people who hate one another to deal with one another and help one another."

Investing in Our Most Important Resource - PEOPLE

Now back to the Business Roundtable and their changing principles. Let's start here. There is NO DOUBT in our minds that increasing profits (i.e., being successful and sustainable) is a key goal of every business… otherwise there would be no business. But it is not the sole or foundational goal. In fact, it is an OUTCOME of other goals, behaviors and strategies. Milton's pronouncement that profit is king (essentially) drove us to short term thinking (for example, quarterly earnings reports) and poor choices in investments (for example, a failure to invest in the most important resource – PEOPLE).

But let's not blame that great man, as he was living in a world far different from that we are in now.

So today, as I said in my book "People Strategy: The Revolution," the aim is to break through the barriers of traditional thinking about organizations and their employees to reach a more complete and effective level of thinking called "people strategy". This people strategy will provide competitive advantage for the organizations that will compete and "win" in the 21st century.

We aim to define the ways that organizations interact with and contribute to the growth and success of our economy. The primary concept is based on the belief that if an organization has great vision, mission, values, and beliefs (VMVB), organizational strategy, organizational capabilities, and an effective and complete people strategy, it can garner substantially greater contributions from and to other stakeholders with whom they have a relationship.

…In Today's Connected Human Environment

Today we face an ever more connected human environment. With these changes come great opportunities and great obligations. *The opportunities* include the ability to reach out to individuals directly without geopolitical or other artificial barriers that might limit our views and relationships. *The obligation* is that we **engage**, for the improvement of not just ourselves or even our organizations, but for the entire human race and its future: "With great privilege comes great obligation."

So yes, the responsibility of organizations is far more than profiting shareholders. It may just be the future of the human race. ▪▪▪

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