

BACK TO BASICS

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What a backlash! What a changed business environment! Lets go back a few years, say five, and the key words in business were globalization, performance bonus, share options, shareholders value, goal attainment at all cost. The market out there was looking at our figures, analyzing them, and making judgment. The result was a sad one – Enron, WorldCom, Cirio, Parmalat...the face of bare business, greed without a soul, nor a heart. Shareholders' value took priority over people as in employees and customers; technocrats and professional managers were transformed into bloodthirsty entrepreneurs, employed to make money for themselves and big money, so long as the figures are right showing growth in revenue, asset value, shareholders' value. Capitalism got a very bad name.

You cannot wear blinkers when you are in business. There is an open environment out there that is affecting your operations and that you have to respect as you make part of its structure and infrastructure. The community you are working in is providing you with your customers, as well as your employees. In turn these are the major contributors to the success of your business, since well-motivated and trained people provide you with the catalyst resource that changes material and space into products and services, and people are the users of your products and services for which they prepared to pay.

Where does this lead us? The call started in the United States of America: lets go back to basics! Indeed, rather than going back, lets move forward in our business with the basic values that are essential in creating long term sustainable growth. Today's business agenda will include items like corporate governance, corporate social responsibility, ethics and values. Lets ensure that we are not playing lip service with these ideas, but that we really substantiate them in our business.

But how? First of all, Board of Directors as well as senior executives and management must truly understand and believe in the basic values of honesty, integrity, and transparency. And that these have intrinsic value and that they add value to the business as they provide management with the tools to take the right decisions and to act and behave in the appropriate way. They also enhance the image of business, make it more acceptable and give credit to the most efficient entity that creates wealth in the country besides improving the quality of life of people.

Second, corporate governance particularly in stock market listed companies has to take priority. The demarcation line between policy makers and executive, the availability of open and unobstructed information to directors, the institution of a system of checks and balances in the business that ensures that the right decisions are taken, and that they are seen to be right by both shareholders and other stakeholders. A great deal is being done in this area. Interesting if not surprising, but true, a study of more than 2,500 international companies found that the Sarbanes-Oxley Act and other reforms implemented following the recent scandals had succeeded in improving the relative performance of large US companies by more than 10 per cent. American companies climbed on top of the global corporate governance table.

Third, it is a matter of corporate social responsibility. The need that all business has to have a social conscience once it operates in society. Not simply by declaring this in their business mission statements, or that guaranteeing that they are not polluting the air or the sea, but in applying solid compassionate principles in real life, by contributing towards social and cultural events and initiatives. Interested readers should follow how Johnson & Johnson have always shown genuine interest in the community, which is clearly stated in its “Credo” that deliberately puts the shareholder last in its list. Ironically, Johnson and Johnson, has delivered exceptional business results, just think of having a company that for seventy consecutive years has had increases in sales turnover, and for forty one years has increased its dividends to shareholders! Business ethics works.

Fourth, board directors are to ensure that senior executives are selected for the right reasons, with moral values that are compatible with their views of what is right and what is wrong. Indeed, they are to attain results that match business goals, but these are to be achieved in full respect of the dignity and rights of people. The measure of a manager’s performance will not only be based on whether results have been attained, but also by the manner by which these results have been achieved. Training and development programmes will include therefore business ethics as a permanent topic.

Fifth step in moving forward with basic values, is communication. Transparency is tantamount to honesty and integrity. Transparency in decision making and behavior has proved that it will not only bear economic fruit, but that it will strengthen loyalty from customers and the general public. What I am referring to here is not spin, but real hard facts, even if seen to be painful and hard to swallow. Truth always pays in the long run.

There is nothing wrong with Capitalism, so long as it has a human face and a human heart. The market economy gives an effective and efficient contribution to the exchange of goods and services, it provides for choice, for employment and finance for research and development, and innovation. It is a matter of getting the right balance, indeed with the human factor being an underlying feature.