



By Richard D. Czerniawski

THE PURPOSE OF (YOUR) BUSINESS

The Business Roundtable has stirred quite the controversy with expanding their scope to serving all stakeholders rather than making shareholders their priority. Those who oppose their “Statement on The Purpose of a Corporation” <https://qz.com/work/1690439/new-business-roundtable-statement-on-the-purpose-of-companies/> decry that it rejects the long-held theory espoused by the late economist Milton Friedman. He posited that the focus should be on creating profits for shareholders. His belief was that satisfying shareholders would best serve to satisfy other stakeholders.

What comes first, the chicken or the egg? Is Mr. Friedman’s theory that generating (maximum) profits for shareholders will better satisfy stakeholders, or vice versa? I don’t believe that the short-term focus many corporations have today to maximize profits for shareholders provides consistent benefits for stakeholders—nor the shareholders or corporation itself. Certainly, the corporation must make a profit and provide value to shareholders, or it will cease to exist. However, companies have engaged in strip mining (the actual practice and figurative depletion of other resources such as investments in the business, its customers, employees, and so forth) to maximize profits to the detriment of all.

This isn’t to suggest that corporations should tackle social causes (i.e., unless it is in their DNA). Instead, there’s a need for social responsibility that will reap dividends for all. The Business Roundtable’s new policy states that the purpose of the corporation starts with satisfying customers, then moves on to investing in and treating employees fairly, dealing ethically with suppliers, supporting local communities and the environment in which we all live, and, finally, generating long-term value for shareholders. It’s not “what’s good for GM is good for the country.” Instead, it’s what Charles Wilson, former President and CEO of GM and Secretary of Defense, actually stated, “what was good for our country was good for General Motors, and vice versa.” This new policy is not a political issue but one of common sense and mutual self-interest.

It is the corporation’s ability to live-up to this sensible and responsible new policy that I believe will benefit shareholders more than focusing on maximizing profits in the short-term. It has worked for Johnson & Johnson, whose leadership has been guided by the company’s credo. <https://www.jnj.com/credo/> The Business Roundtable’s policy is strikingly similar to the J&J credo. Now the challenge is for all to live-up to it!

Richard Czerniawski



Richard D. Czerniawski

430 Abbotsford Road

Kenilworth, IL 60043

847-256-8820

847-312-8822

richardcz@bdn-intl.com

www.bdn-intl.com