**Theme 5 – What’s a Business For? – Charles Handy**

**Intro;**

* Could capitalists bring down capitalism?
* Markets rely on rules and laws, but those rules and laws in turn depend on truth and trust. Conceal truth or reode trust, and the game becomes so unreliable that no one will want to play. Markets will empty and share prices will collapse.
* Great virtue of capitalism, it provides a way for the savings of society to be used for the creation of wealth.
* We will rely on governments for creation of wealth.
* Cannot trust markets at this time.
* Trust, too is fragile. Once cracked it is never the same.
* Seems exe’s run the company for own benefit and financial gain. 90% of Americans felt that people running corporations could not be trusted to look after the interests of their employees.43% believe exe were only in job for themselves.
* Few business leaders have been guilty of deliberate fraud or wickedness. All they’ve been doing is playing the game according to the new rules.
* In the current anglo maerican version of stock market captialsim, the criterion of success is shareholder value, as expressed by a companys share price.
* Many ways of influencing share price, which increasing productivity and long term profitability is only one.
* Cutting expenditure or putting of expenditure will increase profits immediately even if it imperils them over the long run.
* Buying selling merging business.
* 1980 2% of exe pay in US was tied to stock option it is now thought to be more than 60%.
* To many Europeans hugely undervalued stock options seem like just another way of allowing executives to steal from their companies and their shareholders.
* Europeans raise their eyebrows sometimes in jealousy but more often in outrage at the levels of exe remuneration under stock market capitalism.
* CEO in amercia earn 400 times the wages of lowest paid job in.
* Europeans worry as they watch their own stock markets follow wall street downhill that the flaws in the American mode l of capitalism are contagious.
* The countrys whole business culture may have become distorted.
* This was the culture that enraptured America for a generation, underpinned by a doctrine that proclaimed the market king, always gave priority to the shareholder and believed that business was the key engine of progress and thus should take precedence over policy decisions.
* Stock market capitalism had no place for many of the things that Europeans take for granted as the benefits of citizenship free health care etc.
* Now after a series of european’s own examples of skulduggery at the top and a couple of high profile corporate collagpeses due to overambitious acquisition policies many on the continent wonder if theyve drifted too far toward stock market capitalism.
* We can see that in boom years of 1990s America had often been creating value where none existed, bidding up the market captialisation of companies to 64 times earnings or more.
* The level of indebtedness of US consumers may well be unsustainable along with the countrys debts to foreigners. The whole system of channelling the savings of citizens into fruitful investments begins to look questionable.
* Urgent need now is to retain the energy produced by the old model while remedying its flaws. Tougher regualation required. With responsibilities more clearly defined penalties spelled out and watchdogs appointed.
* Cannot escape the fundamental question: whom and what is a business for?
* Answer once seemed clear, the terms of business have changed.
* Ownership been replaced by investment, a companys assets are increasingly found in its people, not in buildings and machinery.
* America and Europe need to learn lessons from each other.
* Clear and important need to meet the expectations of a compnays theoretical owners: the shareholders. Shareholders only in it for the money.
* If management fails to meet their financial hopes, the share price will fall, exposing the company to unwanted predators.
* The purpose of business in other words is not to make a profit full stop. It is to make a profit so that the business can do something more or better. Owners know this, investors needn’t care.
* It is a moral issue.
* The idea that those who provide the finance are a companys rightful owners, rather than just its financiers dates to early days of business, when financiers was genuinely the owner and chief exe.
* Second idea is that company is apiece of property subject to the laws of property and ownership.
* Now assets of company is intellectual ability of workers, cant call that property
* The employees of a company are treated by the law and the accounts as the property of the owners and are recorded as costs not assets.
* Costs are things to be minimised and assets thing to be cherished and grown.
* A good business is a community with a purpose and a community is not something to be owned. A community ahas members and those members have rights.
* Corporate law is out of date in America and Britain.
* Arie de geus argued that companies die because their managers focus on economic activity of producing goods and services and forget that their org true nature is taht of a community of people.
* The countries of mainland Europe have always regarded the corporation as a community whoe members have legal rights. Eg germany.
* These rights limit the flexibility of management buy they help cultivate a sense of community.
* Shareholders are seen as trustees of the wealth inherited from the past. Their duty is to preserve and if possible increae that wealth so that it can be passed on to future generations.
* Such an approach is easier for companies on the continent. Theri more closed systems of ownership and greater reliance on long term bank finance shild them from predators and short term profit pressures.
* In most cases a companys equity capital is concentrated in the hand of other companies or banks
* Hostile takeover are difficult and rare.
* Countries are shaped by their histories. The anglo saxon nations could not adopt any of the European modles even if they wihed to.
* More honesty and reality in the reporting of results would help for a start.
* Bus when so many of a company’s assets are now invisible and therefore uncountable and the webs of alliance joint ventures, are so comples, it will never be possible to present a simple financial picture of a major businesss.
* If however this new requirement pushes accountability for truth telling down the line, some good may result.
* If a company takes seriously the idea of itself as a wealth creating community, with members rather than employees, then it will only be sensible for members to validate the results of their work.
* It seems only fair that dividenst be paid to those who contribute their skills as well as to those who have contributed their money.
* Already people whose personal assets are highly valued, bankers brokers, make a share of profits or a bonus a condition of their employment.in the growing world of talent businesses, employees will be increasingly unwilling to sell the fruits of their intellectual assets for an annual salary.
* The ancient Hippocratic oath that many doctors swear on graduation includes an injuctinon to do no harm.
* Todays anti globalisation protesters claim that global businesses not only do harm, but that the harm outweighs the good.
* Doing no harm goes beyond meeting the legal requirements regarding the environment, conditions of employment, community relations and ethics.
* Some are finding that there is money to be made from creating the products and services that sustainability requires.
* Unfortunately, the majority of companies still see such concepts as sustainability and social responsibility as pursuits that only the rich can afford.
* In the knowledge economy, sustainability must extend to the human as well as the environmental level.
* People cant balance work and rest.
* European model, mandated parental leaves for fathers and mothers together and shorter working weeks, helps promote the idea that long work is not necessarily good work.
* Many French companies saw productivity increase when working week was restirced to 35 hours on average.
* More corporate democracy and better corporate behaviour will go a long way to improve the current business culture in the eyes of the public.
* We should as charitable orgs do, measure success in terms of outcomes for other as well as for ourselves.
* By creating new products, spreading technology and raising productivity, enhancing quality and improving service, business has always been the active agent of progress.
* Businesses cannot always afford to be so generous to so many people but doing good doesn not necessarily rule out makinga reasonable profit.
* Profit often comes from progress.
* Until and unless they become the norm capitalism will continue to be seen as the rich mans game serving mainly itself and its agents.