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Reimagining the corporation

by Bernie Niemeier

Welcome to the New Year! 2023 is a new one indeed. Business as usual isn't so usual anymore. Tech companies are downsizing faster than local daily newspapers. Starbucks baristas are the new trend in organized labor. Amazon's growth is slowing. Global consumption and supply chains can no longer be taken for granted. Twitter is, well, whatever. Travel, hotels and restaurants — the things we do in person — seem to be making a comeback. And yes, the kids are back in school, although colds and flu have been going around.

After a few tough few years, it's worthwhile to rethink past assumptions. Many of our best guesses about the future have been dislodged or disproven by unforeseen events and circumstances.

When I first started working, getting hired by a large corporation was the gold standard. IBM was "Big Blue." Does anyone remember mainframe computers now? In the '80s and '90s, McKinsey and Goldman Sachs were prime destinations for Wall Street's wannabe rich and famous — that's less the case today. Back then, all MBA schools waltzed to Milton Friedman's mantra that the "social responsibility of business is to increase its profits."

Looking back, I can't help but think of an old Bonnie Raitt lyric: "I've had bad dreams too many times to think that they don't mean much anymore." The dream of a business world that was both fair and money-centric just hasn't held up. I remember a well-respected boss who said, "I've tried fair, but life isn't fair, and being fair just doesn't work." There may be some element of truth in that statement, but is that really a dream of how the world should be?

Among political and economic systems, capitalism is far and away the most successful driver of wealth creation. At the same time, in its purest form, capitalism derives significant motivational power from scarcity and inequality — it's a world of winners and losers. As powerful as this is in its simplicity, a zero-sum game vastly understates the collective social problems faced by the world as we know it today. Think about pollution, energy, food scarcity, affordable housing or access to health care. In the long run, such social problems create significant new costs that are ultimately borne by the business world. Capitalism might do well to be a little less self-centered.

Today's business environment is considerably different from past decades. Business is no longer just about profit. There is a growing recognition of the importance of a double or triple bottom line. Employees, customers and the community are gaining greater recognition for their indispensable value as inputs to financial success. Environmental, social and corporate governance (ESG) efforts are shaping investment decisions at a level not seen in the past.

Fortunately, capitalism has evolved to be more nuanced, more customer- and employee-centric. The best leaders realize that better results come when great people do good things in the best interest of customers and the community. This is a less self-interested and vastly more sustainable approach.

Reimagining the corporation means thinking differently about people. Companies are more complex than just an amalgam of labor and capital. Organizational structures are more complex than just divisions between management and employees. Today's most successful companies think in terms of teams, teambuilding and placemaking. There is a much greater recognition that we are all in this together.

Most problems cannot be solved by a profit-only mindset. Going into the New Year, let's strive to make work fun, respectful and profitable. Isn't that a better approach? ■

Photo by James Lee

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A library of business intelligence

by Bernie Niemeier

Admittedly, many of my personal business memories start from more than just a short while ago — pre-internet days to say the least. Now that everything is online, we don't hear much about libraries anymore, except maybe in the case of public schools. Politics aside, I'm delighted people are still interested in reading words on a page, regardless of topic or platform.

When it comes to business libraries, I spent many of my early career days as a graduate student and business researcher gleaning information from reference books.

When media companies were still flush with money, they had in-house research departments replete with voluminous business libraries. Ours had dark wood shelves arranged around a large reading table. Stocking the shelves were decades of annual publications on pertinent topics like nationwide newspaper circulation, ad rates for newspapers, television and radio markets, and ZIP code demographics for the entire U.S. Even more obscure were reverse telephone directories, where you could look up a phone number and find a corresponding name and street address for each listing.

In the days before everything became searchable, downloadable, sliceable and diceable, corporate libraries such as these were where business information was warehoused, waiting to be turned into business intelligence.

After the internet became ubiquitous, however, these company libraries were superseded by desktop computers in every office, laptops in every briefcase and smartphones in every pocket.

Looking at the immediate horizon, artificial intelligence programs such as ChatGPT are predicted to provide all life's answers. Think of it as big data and technology replacing big libraries and thoughtful research.

Looking back, there was something especially nice about cozying up in a physical library with all that data in one place, copying numbers down on a yellow pad and using a calculator. This is a discipline that's perhaps lost in the eternal now of today's copy-and-paste world. The ability to instantly recalculate until an acceptable answer appears doesn't really replace the innate talent of defining the right research questions at the outset. There is absolutely a difference between data and intelligence.

For me, all of this comes to mind each year when Virginia Business publishes our March issue, The Big Book.

Back during the halcyon days of physical business libraries in the 1980s and 1990s, our March issue served up the State of the State, reporting on the commonwealth's economy across several industries. (Suffice it to say that we've long served as a source for business intelligence.)

In 2013, though, we replaced that annual State of the State report with The Big Book, expanding the issue to include roughly 50 different lists and charts with vital business statistics all in one place — creating an annual reference library of sorts for Virginia businesses.

And while Virginia Business has not yet moved into the realm of artificial intelligence, we have moved into e-commerce. Some of the key lists in this issue are available for purchase at virginiabusiness.com as downloadable spreadsheets in expanded formats beyond what's included in the print version.

Whether digitized and downloaded or delivered as a paper magazine to your mailbox, think of us as your personal corporate library. Regardless of the platform, context is important, and that's why we are especially proud to still be bringing you words on a page after 37 years. Enjoy! ■

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Is ESG another CRT?

by Bernie Niemeier

In January, Virginia Attorney General Jason Miyares joined a group of 24 other state attorneys general in challenging a U.S. Department of Labor rule allowing fiduciaries to consider environmental, social and corporate governance (ESG) criteria such as climate change in making investment decisions for retirement funds. The AGs argued that ESG practices work against investment companies' fiduciary duties to maximize profits for their clients.

Of the 25 plaintiff states, 22 are solidly red states; all but two have Republican governors.

In March, congressional Republicans, with the help of two moderate Senate Democrats, passed legislation to undo the Labor ESG investing rule. President Joe Biden issued the first veto of his presidency on March 20, preserving the ESG rule for now.

The attempts to overturn the Labor rule are part of ongoing GOP efforts to oppose corporate use of ESG standards in making financial decisions like loans and investments. This comes despite widespread ESG support from big business and arguments from some financial experts that anti-ESG stances could hurt state retirement funds.

In Republican-controlled Texas, for example, the legislature has prohibited most of its state agencies and local governments from entering into contracts with firms that "boycott" energy companies using fossil fuels. This led to Texas state worker pension funds pulling investments from big mainstream companies like BlackRock.

Eyeing a potential presidential run, Virginia's Republican governor, Glenn Youngkin, has fallen into line and spoken out against ESG, just as he's taken predictable stances banning teaching "critical race theory" in state public schools (which, arguably, wasn't happening anyway). Additionally, he mandated that public school students play on sports teams and use locker rooms matching their assigned-at-birth genders.

In January, the governor took credit for blocking a $3.5 billion Ford Motor Co. electric vehicle battery plant from bringing 2,500 jobs to Pittsylvania County over concerns the factory would be, in Youngkin's words, "a front for the Chinese Communist Party."

He also supported state legislation to ban abortions after 15 weeks, although that effort was doomed to fail in the Democratic-held state Senate.

Politicians often propose such "brochure bills" that have a better chance of appearing on a campaign flyer than making it through a committee and being passed into law. They go through the motions to satisfy their party's base and donors. Think of it as a process of checking off boxes for electoral reasons, not for governing or legislating.

Youngkin's checked most of these boxes lightly and only once, just enough for a campaign ad. This is political gamesmanship that values talking points over policy and substance.

However, it's doubtful whether this gambit will pay off for Youngkin, who lagged far behind former President Donald Trump and Florida Gov. Ron DeSantis in a March poll by Roanoke College of Virginia Republicans' choices for the 2024 GOP presidential nominee.

Meanwhile, the business community, once almost entirely aligned with Republican positions, has shown little interest in wading into such culture-war conflicts. The U.S. Chamber of Commerce, which spent $81 million on lobbying last year, has in recent years begun endorsing some Democrats. It's also supported ESG and immigration labor reform and opposed the Trump administration's trade war with China. Because of these evolving stances, House GOP leaders, including Speaker Kevin McCarthy, have refused to take meetings with the chamber and considered launching a House investigation into the chamber over its endorsements of ESG criteria.

Big corporations, which largely comprise the chamber's membership, have gradually trended toward more progressive positions on social issues, including gender-based rights, diversity, equity and inclusion, and ESG policies. Some Republicans rail against this as "corporate wokeness" — whatever that means.

It's time to get politicians out of our bedrooms, bathrooms, doctor's offices and classrooms. And let's also keep them out of our boardrooms and financial investment decisions. Fiduciary responsibility means considering all risks and opportunities, including those related to ESG. ■

Photo by James Lee