

RADICAL BUT NECESSARY

A new way forward.

BY JAMES E. LUKASZEWSKI

Am I the only one who has noticed that it takes catastrophe to force democracy forward: Black Friday; Pearl Harbor; 9/11; Hurricane Katrina; October 15, 2008? The incompetence, ignorance, and political paralysis of government, combined with the implacable gall of America's Greed Team—real estate, banking, Wall Street, insurance, and the commercial credit industry—has created a fragile but powerful epiphanal moment when real change in America's economic structure and destiny is possible.

We have a brief chance to recalibrate and reset crucial economic processes that will help us deter, detect, and prevent similar situations from occurring in the future. How will we capture this moment? I believe that what will catalyze the opportunity for change is America's growing revulsion toward Wall Street and the major economic and financial engines upon which we have relied for the last couple hundred years.

Since an outbreak of business and leadership integrity is highly unlikely, and President Obama's amorphous and nebulous quest for "change we can believe in" notwithstanding, Americans now realize that those in charge of our economic institutions (even the new ones) are the same folks who brought us this catastrophic mess in the first place, and they are simply incapable of getting us out. We need a new strategy, a new roadmap, that demands changes and radically departs from the failed old formulas and arrogant, greedy perpetrators of yesterday.

Let me make some simple, sensible, constructive, and positive recommendations for change that can be implemented quickly and could force a cataclysmic shift in how the United States does business while allowing Americans to have much more confidence in and control over who the titans are and how they operate.

And if you—yes, you, reading these words right now—are one of those titans who has helped or is helping to squander the public trust in any business sector, take these proposals as powerful signals and warnings or at least suggestions, but do pay attention. There are changes ahead for your role as a corporate leader.

First and foremost, financial industries need to become far better acquainted with words such as "oversight," "control," "regulation," "tough new laws," "rules," "restrictions," and "relentless accountability." Rule number one: If you take one dollar of government money, you must become 100 percent transparent to the American people. All of these big muckety-mucks need to begin begging Congress and the states for more oversight, regulation, and restrictions. The principal reason



for asking, even demanding, this level of intervention is that failure to do so means we are helping rather than preventing those in charge—the perpetrators who got us to this point—to do what they always do: train themselves on how to overcome whatever barriers are put in place and prepare to traumatize us again in a few years' time.

The answer is not only more regulation, though. A change in mindset is essential to help redirect the energies of our commercial activity to what I call "community-directed capitalism." Indeed, achieving significant change in commercial activity means fundamentally repositioning greed from its role as the primary motivator of business success. To re-paraphrase Ivan Boesky and Gordon Gekko, greed must come second.

Here are four potential realignments to consider that could alter the purpose of America's commercial culture and moderate, somewhat, the power of greed:

Re-prioritize the role of corporations and business enterprises in our society. Re-differentiate the types of businesses we will allow by basing their missions first on meeting society's needs and requirements. Business categories today are established mostly for tax-avoidance purposes. We have a federal tax law (about a million pages), mimicked by every state, that mostly authorizes various exceptions to paying taxes. Let's consider replacing the current structure with four new classes of business organization based first on public wants, needs, and goals. Ultimately, I am proposing that corporate social responsibility actually become operationally

The F Corporation: Family businesses, which would also benefit from incorporation and liability limitations, that could not become public. There would be more focus on perfecting family succession, and social and community participation and stability.

The Q Corporation: Publicly held businesses, which could never be taken over or subjected to the various kinds of competitive Wall Street pressures that the G corporations would have. The primary purpose of the Q corporation would be longevity, stability, and community benefit. Shareholder benefit would be the secondary purpose, and there would be extreme transparency with restrictions on executive compensation and corporate investments. Public benefit and societal need would be the driving forces of all decisions and compensation.

The T Corporation: These are tax-subsidized organizations. The nomenclature "nonprofit" needs to disappear. The term *nonprofit* is used to discredit and demean legitimate for-profit businesses—those that actually pay the way for tax-subsidized organizations. Today, "nonprofits" of any size run for-profit subsidiaries that compete directly with profit-making organizations. There are no public-needs tests to determine whether such organizations are even needed. Somehow the sector has stayed under the radar in discussions of economic reconstitution, but it is crucial to reevaluate its role in the economy—and to shine light on how these organizations actually function.

Prohibit esoteric financial transactions. Deal in real money. Eliminate or heavily regulate leveraging, hedging, and financial-packaging transactions—those that have been created to

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meaningful and the primary objective and measure of business success. Greed would come in a lagging second.

The G Corporation: General businesses that would be private or publicly held, traded in public markets, and subject to the rules and laws of the marketplace. Although they would be far more transparent and heavily regulated than before, these businesses would remain competitive and fully taxable. By law, the priority of shareholder influence would be below national needs, state needs, and local needs—there would be executive-compensation restrictions and incentives to achieve public benefits, first. The charter of these businesses would include an obligation to society before any benefit for shareholders.

obscure where the real money is, where it is going, and even if the money really exists. This proscription includes destructive investing techniques such as short selling and blatant speculation, and strict scrutiny and regulation of any new investing technique or procedure, including economic impact analysis, prior to authorizing a new financial activity or method.

Construct a strong and unified independent regulatory institution and systems, run by knowledgeable, independent people who wield extraordinary powers to control and sanction the activities of the five perpetrators of economic catastrophe. This organization would be one that the rich, the arrogant, and the perpetrators would have reason to fear.

Return business schools to the control of businesspeople, and run them as professional schools rather than science-based institutions. Teach the public purposes for which businesses are created: that integrity is the highest goal of business leadership. Reduce or eliminate the obsessive emphasis on the notion that the only things that matter are the countable and measurable. The current philosophy and business strategy sets aside—or even denigrates—morality, humanity, integrity, and compassion as business-decision moderators and motivators. The purposes of these schools must be redefined and clarified, and the public-benefit philosophy strengthened. Changes like these will happen only through the legal reclassification and redefinition of corporate governance and operation.

The primary lesson in business has always been: “What gets compensated gets done.” Let’s pick higher and more noble and powerful directions and goals for U.S. economic activity and for those who will lead our companies, organizations, and public institutions. If we want to avoid future economic disasters, we must compensate and regulate those behaviors we believe will achieve publicly desirable outcomes. Call me old-fashioned, but I believe the first obligation of American business and its investors is to bet on America’s success. If one can make as much or more money betting on the country’s failure as on its success, we are in for a long, long downturn, indeed.

A word for our friends in Europe and Asia, whom we have infected with this virus of greed and amoral management decision-making. Rather than visiting America to “express doubts” about the quality of our debt and our economic resolve, then simply wait for the United States to recover so you can pick right up again, be warned: There will be a different America coming out of this situation. The game is on. Fix your own problems now. If America has to do it, there will be different rules and harsher penalties. If the fate of the Obama administration rides on fixing the economy, so does the fate of every premier, president, prime minister, and potentate.

Let the wailing begin! These ideas—and others like them—will be dismissed as “socialism.” They will be denigrated as sophomoric and uncompetitive. The more people whine, the more you know the ideas may have real merit. The most important lesson of all, however, is that if we allow those in charge to simply modify the old rules, they are being allowed to set the stage for the next financial debacle in approximately a decade.

Stay angry. Make revulsion toward the current situation count for change. America and Americans—you and your family—must come first. Let the all-bias, all-bull bloviators begin, bust a blood vessel, and break a vocal cord.

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RELATIONSHIP OR SPAM?

BY JONATHAN KRANZ

Customers are quick learners. We’ve learned, for example, to ignore subscription renewal letters that come months in advance of our actual expiration date; from experience, we know that there’s no urgency—plenty of other letters will come in the next few months reminding us to renew.

That’s why I’m concerned about a prevailing abuse of the word (or concept) *relationship*. As a pretext for sending me overwhelming amounts of unsolicited e-mail, marketers tell me (in the fine print), that I’m receiving this cascade of irrelevant and irritating material because we have some kind of “relationship.”

Often, I cannot recall what that “relationship” is; when did I give permission for this volume of vacuous nonsense? It turns out that by purchasing a product, I’ve initiated a “relationship.” By downloading a free case study, I’ve initiated a “relationship.” By simply making a request for more information, again, I’ve initiated a “relationship.”

From my perspective, as a consumer, I’ve done no such thing. But from a marketing perspective (especially in the context of cumbersome Do Not Call laws), these are “relationship” opportunities we cannot afford to neglect.

Beware, my marketing colleagues, beware. (Cue howling sounds.) If we teach consumers/prospects/customers that every interaction with us will result in a barrage of unwanted communications, they will indeed learn. I’ve already begun to hesitate before responding to “free” e-book offers or even asking a question on a live chat forum. And I suspect millions of other consumers are responding (or will respond) similarly. Because we’re learning that every teeny, tiny peep on our part will result in a “relationship” with sales efforts as unwelcome as midnight stalkers.

Real relationships take time. Just because someone thanks you for holding the door open doesn’t mean you’re invited to pack your toothbrush and spend the night. As marketers, we need to be prudent. Don’t punish a modest indication of interest with a painful deluge of solicitations. If we do, we’ll be rewarded with swift kicks to our collective behinds.

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