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## The Directors' Role in Protecting Capitalism and Enhancing Corporate Sustainability

Our capitalistic system is under assault. The very system under which investors and corporations operate could look very different in a few years partly because we corporate directors, as its stewards, are not adequately fulfilling our role to protect this economic system. The very system that has lifted hundreds of millions out of poverty around the world will be forever changed. The profit motive which spurs so much innovation and creativity will be stifled. Corporate directors have an obligation to protect this system. We can no longer sit idly on the sidelines hoping the dreads of socialism and government overreach never reaches our doorsteps. These ills are here and they have moved passed knocking; they are in the house and operating. We can no longer afford to be reactionaries to an uninformed and ill-educated electorate. We must be proactive before it is too late. Like the proverbial frog being boiled alive, our capitalistic system has been

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slowly dying. If no action is taken, we won't wake up from the pending nightmare.

The attack on Capitalism is the largest “disruptive risk” our corporations face today. Yet, it is not even on the board agenda. Various organiza tions,

including the National Association of Corporate Directors (NACD), publish a ranking of board agenda topics. These rankings indicate what is on the minds of corporate directors and corporate executives. Corporate Sustainability, which is different from environment sustainability, is far more important with more immediate and dramatic impacts than many ranked board topics, such as climate change. How boards address the future of capitalism is a massive culture and risk concern that must be addressed proactively, not passively or reactively. It is a corporate social responsibility to protect the economic systems that has provided and continues to provide the world so much. Not to protect

this system is a dereliction of duty. The duty of care and loyalty requires corporate directors to protect the economic system in which their corporations operate. This is a complex, multi-faceted risk that demands more research and attention. Corporate directors need guidance on how best to address this critical concern. Later in this article are some suggestions, but a more comprehensive toolbox of methods and approaches needs to be available for corporate directors.

### The Problem:

The culprits are many. They include our failing public school system, social media, the entertainment industry, journalism, and public sector politics. What do all these culprits have in common – they are the primary influencers of the U.S. electorate and other electorates around the world. Misinformed electorates, which are comprised primarily of our corporate employees is a serious problem. Each of these influencers has the public's ear and each exploit the ethical infractions perpetrated by a few private sector corporations. Examples of corporate welfare, corruption, malfeasance, and general unethical behavior in private sector corporations are used to denigrate the private sector by these primary influencers. Strangely enough, there are many examples of unethical behavior by these influencers as well. In fact, many of these influencers are part of the private

sector corporate universe. Yet, on whole, they escape the negative fallout. It is a real puzzlement.

### **A brief discussion of each culprit is presented below.**

1. **Public School and Colleges.** Most students are no longer taught civics and American history in U.S. public school system. They don't know the history of American Revolution, socialism, free market capitalism, the world wars or anything that led to its current vibrant economic system. They have not read Locke, Rousseau, Voltaire, Montesquieu, or Paine. They are unaware of the Period of Enlightenment. They know post Modernism, multi culturalism, racism and the other "isms" espoused by the culprits. They are unaware of the good capitalism has brought and continues to bring to societies. They only hear the repetitive besmirching of the private sector. In the past, we accepted this as a temporary and minority perspective relying on the fact that as students enter the workforce and gain work experience a clearer understanding of the benefits associated with capitalism is gained. Now, these young minds are the majority. Now, the young and inexperienced are leading, not following. Recent studies and surveys indicate that the majority of Millennials favor Socialism over Capitalism. The public school system is creating more and more enemies of capitalism.
2. **Social media.** This medium is too often an unfiltered cesspool of ignorance. Yet, it is the primary source of information for many young adults. Are Facebook, Google, and Instagram discussion platforms or media outlets? The debate rages on. Regardless of what you call them, they are a common source where the young get their news. More importantly changes to these social media outlets are not likely to be made anytime soon. It gives the average person and the bloggers a voice that they did not have 25 years ago. Clearly the proponents of capitalism are losing the messaging battle on social media sites. Oddly, these social media outlets are owned by corporations that follow the same rules of capitalism, yet they show little interest in protecting the economic system that allows them to earn their profits. Curiously the government is seeking to break them up and limit their power in the U.S. and other Western societies.
3. **Entertainment Industry.** Too many in our society follow the opinions and believe their entertainers. Too many of our entertainers believe they are experts on social issues and blame private sector corporations for societal ills. Oddly, they too are being compensated by corporations who participate in the capitalistic economic system.
4. **Journalism.** Fifty years ago journalism was about reporting the facts, and nothing but the facts. Today it is degraded. Too often we hear charges of "fake news". Too often the reporters offer their audiences mere opinion pieces. Too often broadcasts and reporting is based on the advertising ratings, not the facts. The "trust" surveys consistently rank journalism below 20%, well below politicians. The state of journalism today is a major reason we have such an ill-informed electorate.
5. **Public Sector Politics:** There are numerous political initiatives designed to reduce corporate clout – some good and some bad. If some politicians had their way sixteen year old high school students in the U.S, most of who favor socialism, would be voting on how our economic system operates. The Green New Deal has cost estimates that exceed 100 trillion dollars. The coal industry

and others have already experienced a serious disruption from political initiatives. There are anti-trust proposals designed to force the break-up of large corporations, particularly the social media and multi-conglomerate companies. Many companies are

pushed into the limelight because of political initiatives. Most are unprepared and surprised because they don't think of these initiatives as assaults on capitalism.

All corporations and their boards are not created equal. There are a few shortsighted greedy corporations that give the private sector a dirty name and then there are the

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more common ethical corporations. It is true that unbridled greed has led to numerous scandals and wrongdoing which the culprits are ever too happy to highlight in the "news" cycle. The corporate governance community is already addressing those concerns. It is also true that "Globalism" has caused many corporations to ignore the warning signs of a strained capitalism. Some corporations are shortsighted because they pursue short term profits over patriotism. Their action will allow unscrupulous societies and socialism-based societies to lead the world. Loyalty to capitalism and patriotism are second to profits. Globalism might be a good long term goal, but it is a problem in the short run. The world might lose the most productive economic system it has ever known before a global economic system is established. Google, Goldman Sachs and others are already making deals in China that will have negative impacts to capitalism; deals that would hasten socialism's rise and capitalism demise.

### **Cautionary Response:**

The threat to capitalism should be clear. What to do about this threat is not. We need further research and serious discussion to ferret out the various perspectives, approaches and methods. Any recommended response to address this serious disruptive risk will more than likely exacerbate the known short term risks. It will require many, if not most corporations, to modify their strategic plans and make some sacrifices for the betterment of capitalism as the economic system. In a competitive short-term profit driven world this will be a difficult undertaking. The farmers and other industries that are being hurt by the Trump tariffs on China should be applauded because they can see beyond their short term pains which will allow them to realize the long term benefits of better trade terms. Corporate directors and investors must do the same. With any proactive action to protect capitalism there will be some winners and losers in the short term, but these losers must sacrifice their reputation and possibly some profitability to ensure that capitalism as we know it survives the threat.

We need some heroes because challenging the culprits can be a zero-sum game, where the heroes might lose in the short term. Corporate directors and executives can no longer avoid politics, no matter how polarizing the discussion. **Corporations must adapt to the "new normal" and enter the fray. Doing the right thing for capitalism is doing the right thing for society in the long run.**

### Possible Solutions:

The solutions require corporations, through corporate directors, to play their critical role in counterbalancing the message from the culprit influencers. Corporate directors need to be brave to take a stance for capitalism even if it means sacrificing some short term profits. Among the possible solutions are the following:

1. Educate our Employees in the Workplace. We must provide concrete positive messages about private sector capitalism as a counterweight to what is espoused in schools and the media. We provide health education in the workplace; why not provide education on corporate history and stories of capitalism successes. Papa John's has teamed with Purdue University to provide education in the workplace. It's a good start, but Papa John's need to have some influence over the curriculum. The public schools and many colleges have failed to provide fair and accurate assessments of capitalism. Private sector corporations must take on this task, so that at least the scales are balanced.
2. Enhance Director Education. This responsibility to protect the economic system of our companies should be required learning in every director education program. It should be taught alone side the duty of care and duty of loyalty. It should be a critical part of the curriculum for any corporate director certification program that might be developed around the world. Such certification programs would be the true gold standard.
3. Adopt a Director's Pledge. Such a pledge should be required of every director, much like the pledge doctors take. In this case the patient is the capitalist economic system. It should be part of the graduation ceremony at the gold standard corporate director certification programs. Continuing education should include a review and reaffirmation to the pledge. Further, adoption of "the pledge" should be encouraged by the Global Network of Director Institutes (GNDI).

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4. Conduct a Blue Ribbon Commission on the Future of Capitalism. Corporate directors need guidance and a toolkit of methods / approaches to assist with initiatives to protect capitalism. A famed Blue Ribbon Commission from NACD would be a good vehicle to develop best practices for singing the praises of capitalism. The commission will allow corporate directors to develop a variety of opinions and perspectives on this critical issue.

### Closing Comments:

Corporate directors around the world can no longer keep their heads in the sand, hoping none of the dreads of socialism will reach their doorstep. They must be proactive in protecting "capitalism", however they personally define it. This "future of capitalism" is the most important disruptive risk they will face. This threat is more immediate, more pervasive and possibly more destructive than any other item on the board agenda. If we don't address the future of capitalism other lesser risks cannot be effectively addressed. The private sector companies are losing the communications battle with the young who are our future employees and future electorate.

As the stewards of our capitalistic economic system, we must ensure that it continues to provide the foundations of long term job creation, the high standard of living and many other societal benefits. Many express the negatives of short-termism, but few talk about the most negative of all outcomes from this short sighted perspective, the degrading of the capitalistic economic system itself. We can only win this battle if we are proactive and on offense. Reacting and responding will lead to further decay of our capitalistic system. ■

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