

Corporate America: Responsibility lost

In this exclusive interview with George A. Phelps, retired US Army officer of the 1st Calvary, he examines the aspects of corporate America.

Mr. Phelps, please give us an idea of your take on corporate America.

“When I first talked about this subject, there were a lot of very disconcerting things going on in the corporate world,” said Phelps. “There were “hostile takeovers,” mergers of giant corporations (“Mega Mergers”), which created giant beaurocracies and attendant inefficiencies, corporate “downsizing,” causing the layoff of thousands of employees, “outsourcing” where corporations were closing down their facilities in this country to send the work to other countries where the labor costs were cheaper.

“And there were other corporate maneuverings that mostly benefited the corporate executives and their boards of directors. All of this was being done under the guise of improved corporate bottom lines. Of course, these things are still going on today, i.e. January 2004, nine years later, only in ever increasing numbers.

At that time, 1995, I wasn’t sure that my perceptions were correct. I wasn’t sure that maybe I was too far away from the corporate boards, corporate strategies and executive decisions making me unqualified to criticize or express opinions about what was happening in the corporate world for which I had little involvement other than being one of the workers.

“But, being a concerned citizen, I still wrote about what I thought was happening in the corporate world, and what I thought were the responsibilities of America’s corporations.

“Today, and we have been through the Enron tragedy and the AOL/Time Warner situation, and other corporate fiascoes, not the least of which is the situation with the Chairman of the New York Stock Exchange. The Enron tragedy alone has verified my concerns and suspicions. On January 14, 2004, an announcement was made that two Fortune 500 banks had agreed on a merger, resulting in the layoff of 10,000 employees!

“Equally disconcerting is the effect of corporate relocations on small town America. Many of America’s small towns are built around corporate headquarters, factories and service centers. As these corporate entities abandon the towns that have, for so long, depended on them for jobs and a thriving economy, these communities are now faced with financial chaos and with becoming potential centers of poverty, not to mention the disrupting of family life, forcing many families to relocate or change careers with periods of hardship between recovery. Of course, not all of this is the fault of the corporations.

“Some of it is due to competition demands brought about by outsourcing of jobs by the competition, necessitating equal action to enable them to compete and stay in business. Also, mergers, and resultant “downsizing” is a contributing factor.

“Therein lies the meaning of the title of this piece, “Corporate America—Responsibility Lost?”

“It is my contention that Corporations have moral, social and financial responsibilities to their customers, shareholders, employees, communities and this country.

“First, it doesn’t take a rocket scientist to figure out that all companies or corporations have a responsibility to their customers. That responsibility is to provide a quality product at a competitive and fair price, with a reasonable guarantee, and, in the case of deliverable products, on schedule.

“The companies or corporations, also, have a responsibility to deliver a fair and equitable return, to their shareholders.

“They, also, have a responsibility to provide their employees with fair and equitable wages, and benefits, in return for services rendered. This includes benefit packages that contain provisions for retirement pensions, medical, dental, and eye care for employees, employees’ dependents, and company retirees. And, I might add, benefits just like the corporate executives get as employees of the company. In other words, they should be treating their employees just like they are treating themselves. Remember, the corporate executives are employees too, and should always keep that in mind when making decisions that affect employee benefits.

“And, last but not least, they owe a certain responsibility to the communities in which they house their facilities and offices. These communities rely on the revenue they receive when the company employees spend their money there. Small businesses are spawned by the corporate presence and they live on the money spent in their places of business by the larger corporations’ and companies’ employees.

“Rarely, and you may correct me if I’m wrong, do corporate executives consider the major impacts of their decisions on the communities in which they reside. It is a moral and social issue, which it is incumbent upon them to consider seriously at all times.

“It has become painfully obvious that, in all too many cases, corporate executives have become self-serving power mongers, intent on feathering their own nests off the backs of shareholders, employees and the communities in which they do their business. “They have no sense of ethics, morality or responsible behavior; much like Congress, I might add.

“It seems that corporate America is rarely heard speaking out about their responsibilities, and concern for maintaining, or increasing the job market, or for rising unemployment. Their main concern is “the bottom line.” Now, to some degree, that’s as it should be. However, in addition to maintaining the

bottom line, they must include the effects of their decisions on the employees and the communities, and, certainly, and hopefully, their investors/stockholders. They do have an awesome responsibility to be sure. They are also well paid for shouldering these responsibilities. Me thinks--too well paid in most, or, at least, many cases.

“Government has a major responsibility as well. I think Government is responsible for creating a “business friendly” environment. There must be government incentives to build facilities, raise employment levels and provide the benefits to the work force that I have previously mentioned. This can be done with at least one incentive I can think of, and that’s tax incentives. Not tax incentives for the executives, but tax incentives for the corporations, that promote the building of new facilities, upgrading of old facilities, and, in general, improving the health of the corporation(s), and therefore, the stock holders, employees, and the communities. There are examples of states and local communities offering property tax incentives of one dollar per year to companies if they would build their facilities, or relocate their facilities to their areas. That is certainly commendable.

“There, however, is a third leg to this three-legged economic stool. That third leg is the employee. Employees have a distinct responsibility in this coalition of business, government and workers (the three legs). Employees have the obligation to provide personal responsibility, loyalty, quality of work and the willingness to be part of the corporate team. And, of course, the employees should receive the same loyalty and responsibility from the corporation in return. A division of a certain corporation that I worked for even had a slogan for a period of time that said “PRIDE”–Personal Responsibility in Daily Effort.” The health of the corporation is necessary to the health of the employees (financial health that is). Contrary to Board Room beliefs, the employees are the greatest assets that a company has. The

employees need to understand that too. The better the employees perform the better chance the corporation/company has of being successful.

“At this point I would like to quote President Franklin Delano Roosevelt, who knew something about bringing the legs of this stool together in dire times. In his January 11th, 1944 “Fireside Chat,” which he was famous for, he said the following:

“True individual freedom cannot exist without economic security and independence. Necessitous men are not free men. People who are hungry, people who are out of a job are the stuff of which dictatorships are made.”

In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second bill of rights under which a new basis of security and prosperity can be established for all--REGARDLESS OF STATION OR RACE OR CREED (emphasis mine).”

Among these are:

The right to a useful and remunerative job in the industries or shops or farms or mines of the nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right of farmers to raise and sell their products at a return, which will give them and their families a decent living;

The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination at home OR ABROAD (emphasis mine);

The right of every family to a decent home;

The right to adequate medical care and the opportunity to

achieve and enjoy good health;

The right to adequate protection from the economic fears of old age and sickness and accident and unemployment, and, finally;

The right to a good education.

America's own rightful place in the world depends in large part upon how fully these and similar rights have been put into practice for all our citizens. For unless there is security here at home, there cannot be lasting peace in the world."

(End of quote)

If you read what President Roosevelt said back in 1944, carefully, you'll see that it is an ageless wisdom that still applies today.

It's hard to follow such wisdom of the ages, but let me add this paraphrased quote from the Irish philosopher, Edmond Burke (1729-1797);

"Business must realize that it is to the benefit of the commercial world that wealth should be spread everywhere." [Too Socialistic for me, but job availability is a way of 'spreading wealth.]

"There is a very dangerous practice currently in effect called "globalization" and "outsourcing." This is where corporations are "farming out"/sending their work to other countries to take advantage of the low wages offered in these cultures. It is strongly rumored that our own government is considering this practice to "lower the cost of government" and providing aid to other countries by sending taxpayer dollars to these countries in return for products and services.

"And, by the way, these are not just "low tech" services and products. Already, computer companies have been sending work

to countries like India to provide telephone service to home computer customers in need of assistance with their computer problems. And, many of these companies are under contract to our government for the products and services needed by our own government. So, in essence, our own government is indirectly underwriting and sponsoring this "outsourcing."

"We really need to strongly resist this practice. We need to return that work to the United States. Remember, I want what's best for the United States. If there is opportunity for other nations, after we have taken care of our own, then I'm all for it.

"But, in the meantime, we need to bring ethics and morality back to the corporate boardroom, and stop the cheating, "book cooking", and boardroom featherbedding that has so seriously damaged our national economic structure. That we have come through this without an economic collapse is credit to our economic strength and resiliency. However, we can ill afford to suffer many more of these hits. Corporate America must return to moral and ethical methods of operations.

A final note: lurking in the "economic shadows," are the economic hazards of "Globalization and "Outsourcing". These two practices, in my estimation, have greater sinister ramifications for our economy than anything we have experienced thus far, Enron "Power Grid Failure" and "911" notwithstanding. I think I have a solution to these two sinister forces. The title? "Globalization and Outsourcing--What goes around--Comes around!"

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