

Forbes

LEADERSHIP POV / John Baldoni

August 20, 2019

Would Peter Drucker Approve of the New Business Roundtable Purpose Statement?

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

This is the opening statement to the new and revised purpose of a corporation statement just released by the [Business Roundtable](#), an association of leading public companies. The [statement](#) is an affirmation of individualism (*each person can succeed*) with a caveat of humanism (*meaning and dignity*).

[The release of this purpose statement has made news](#) with most commentators focusing on the shift from an emphasis on shareholder value to a more “conscious capitalism.” In this way, the rights of stakeholders—employees, suppliers, community members, and yes shareholders—are considered in the quest for business success.

And in doing so, the Business Roundtable is going backward, but in a good way. It is channeling the thoughts and beliefs of the most significant management thinker of the 20th century, Peter Drucker.

For perspective, I consulted with Bruce Rosenstein, author of two books on Drucker including [Create Your Future the Peter Drucker Way](#). Rosenstein said, “Drucker believed that the CEO’s first task was to ‘define the meaningful outside of an organization,’ which means they have to accurately understand their present reality.”

Back in the Nineties when I was writing speeches for corporate leaders, “shareholder value” was a touchstone principle of many presentations. The concept was championed by two of that decade’s leading CEOs, Roberto Goizueta of Coca-Cola and Jack Welch of General Electric. And with good reason, both CEOs had seen the exponential valuation of their respective companies.

Twenty-five years later, times have changed. Executives have broadened their view of their responsibility for society. In contrast to the government, which is wrapped in partisan bickering and as a result remains in stasis, more and more corporate leaders are making their views known about the responsibility that corporations have to society. Also, millennial employees, now moving into higher levels of management, are pushing for such a change.

Rosenstein, managing editor of the Drucker-inspired journal [Leader to Leader](#), said, “Another ongoing task of CEOs and other managers was what he termed ‘systematic abandonment,’ which involves regularly listing your practices, products, and services, and determining which ones are no longer relevant

or meaningful. Both individuals and organizations should rethink their situations often and reinvent when necessary.”

Drucker Influence

Drucker taught and wrote that a company was only as successful as the people running it. It was management’s job to draw the best from their people to be able to deliver value and service to customers. And that is what we see in the principles contained in the new BRT purpose statement.

Principle 1:

Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.

Dignity and respect may seem “old fashioned,” but they need to be emphasized if diversity and inclusion are ever to be fully realized. When you regard, employees are contributors rather than workers, they become more motivated to deliver their best.

Principle 2:

Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.

No company succeeds without a robust supply chain, and this statement affirms the value that suppliers bring to their client companies. Gone should be the days of beating up suppliers over cost so that quality suffers.

Principle 3:

Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.

Respect for community means respect for the environment, too. Sustainability in business can only occur when there are renewal and regeneration that uses resources responsibly and holds itself accountable for its environmental footprint.

None of these principles will be fulfilled without a commitment to leadership. Today’s version of the BRT purpose statement reflects that responsibility toward all stakeholders; results will need to be proven.

Steve Denning, author and senior contributor at Forbes.com, [is not convinced](#): “The BRT statement seems to be less a clarification of corporate purpose and more a defensive reaction to the complaints about big business, particularly by the younger generation. In response, companies will now emphasize the good things that they claim to be doing, along with making money.”

Let’s be honest. This purpose statement does not negate corporate miscues related to ethical transgressions that have harmed people and places. This new purpose statement may be nothing more than a public relations gesture. But I would like to believe that the women and men who are coming of age in their companies would take the principles inherent in this document and begin to act upon them.

John Baldoni is an internationally recognized leadership educator, executive coach and the author of many books, including *GRACE; A Leader’s Guide to a Better Us*, *MOXIE*, *Lead With Purpose*, *Lead Your Boss*, and *The Leader’s Pocket Guide*. In 2017 Trust Across America named John to its 2017 list of Trust experts. Also in 2017 Global Gurus listed John as a top 30 leadership expert. His leadership resource website is www.johnbaldoni.com