



Chapter 11.

Your Political Radar

Politics, n. A strife of interest masquerading as a contest of principles.

- Ambrose Bierce
“The Devil’s Dictionary”

The purpose of the political radar is to understand the intentions of those who can influence the rules for success in your business.

There’s More to Politics than Politics

When business people think about the political environment and its possible effects on their enterprises, they often tend to think strictly in terms of the legislatures and regulators who set the rules that affect their industries. The terms “politics” and “political” tend to trigger standard ideas and images associated with governments of various levels, or similar bodies that exercise formal authority. But politics, as it affects businesses, is a more complex and interesting proposition than just lawmakers and laws. Your political radar should include all of the key influences on the lives of your customers and competitors, as well as your own.

My favorite definition of politics is:

the study of the control systems of a society, and the people, agendas, and methods that influence them.

Politics is all about influence. It’s about how a person, group, or coalition can gain access to the control systems, or access to the people in charge of the control systems, and have their desires drive the rules for behavior.

What’s a control system? It’s a set of structures, rules, and relationships that people allow to influence their behavior, whether because of need, greed, or fear of

punishment. The structure of a national, provincial, or municipal government is a control system. A system of criminal laws is a control system. A code of civil law is a control system. A military command structure is a control system. A corporate structure is a control system. A regulatory agency and its mechanisms for influence over corporations in a certain industry such as healthcare is a control system. The structure of a university is a control system.

But the most important feature of any control system is the *organizing principle*, or political ethos, that governs it. Even the most highly structured government can't function without a set of motives that activate its machinery. A monarchy, a dictatorship, an oligarchy, a junta, an elected government, a church, a corporation, or a sports team operates from an *ideology* of some kind. The people who have the most influence over that ideology, and sell their ideas for implementing it, can be said to have the most political influence in the situation.

Their motives may be noble or venal, altruistic or selfish. The ideology may be more or less consistent, more or less palatable to others, and more or less applicable to the objectives of the organization. It may range from highly consistent to completely fragmented, with various factions contending for dominance. The behavior of the institution, and its influence on the lives of those it controls, will depend on the nature of its ideology and its competence in implementing it.

To analyze the various "control systems" that can influence your business, you need to think very broadly about what's being controlled and how. There is a wide spectrum of influence in human life, ranging from formally constituted governments, to social institutions such as churches, associations, and universities, all the way to the power structures that define how a particular industry might work and the unwritten rules for behavior in a certain profession.

Since the beginning of the twentieth century, the press has emerged as a kind of invisible control system, a kind of shadow government in its own right. Those who refer to the publishing and broadcasting establishment as the Fourth Estate want to call attention to its powerful role in human life. In some ways, the firms who create and regulate the flow of information in the society act as governing bodies, promoting some ideologies and squelching others.

Some elements of the political environment are obvious and easy to identify. National governments pass laws and create regulating bodies that set up rules for doing business. State, provincial, or local governments do the same. The influences of one may contradict or conflict with the influences of another. Every executive team should clearly understand the implications of the formal laws and regulations that govern the right of their enterprise to conduct business. The framework of trade laws and regulations is usually a good starting point for the political scan, because it helps you identify the constraints on your actions. It tells you what you can't do and what you must do. In between is the range of action open to you.

But once you understand the formal structure of the key control systems that dominate

your opportunities, you must go further and learn as much as possible about the ideologies that animate them, and the source of those ideologies. Then you may be able to guess what kinds of changes might be coming in the political environment that affects your business. You can speculate more intelligently about possible strategic options you may be considering, and whether the developing political climate is more likely to favor them or oppose them.

Case in point: the European Union, and the set of plans and structures for implementing it, signals a clear ideology with clear economic, social, and political implications. An integrated Europe has a lot of support, although not all countries are equally enthusiastic and not all have yet signed on completely. Doing business in Europe, whether your firm is home-based there or elsewhere, will increasingly depend on working within the ideology of an integrated continental financial system, trade system, and business culture.

Case in point: doing business in Japan, for foreigners, has always involved an element of complexity and enigma. Japan's peculiar brand of feudal capitalism, with its interlocking corporate structures — the *keiretsu* — the heavy hand of government ministries, and a dash of xenophobia presents a unique set of political considerations for any foreign firm. Does one team up with an established Japanese firm and play the silent partner? Does one go it alone and try to build a new brand concept? Does one buy up an existing player? Is it wise to advance the foreign identity, brand concept, and corporate logo, or is it better to impersonate a Japanese business entity as much as possible? These are fundamentally political questions whose answers may drive a whole variety of related issues of finance, product development, marketing, and infrastructure.

Case in point: the city of Brisbane, in Australia's state of Queensland, has for a number of years operated on an enterprise model rather than the standard bureaucratic pattern of a municipal bureaucracy. A series of progressive mayors and a strong executive branch have taken many pages from the book of business, and have applied the methods of customer research, strategic planning, marketing, and process improvement to guide the development of one of Australia's largest and most prosperous political entities. Changing the ideology of government from one of regulation to one of empowerment changes the design of the control systems. What a government organization does, and how, reflects the values and views of its leaders.

The Heavy Hand of Government: Unanticipated Consequences

I must confess to belonging to the *laissez-faire* intellectual camp, at least mostly, when it comes to the question of whether and how government should try to shape commerce. Many business people do as well, although some are rather selective in their preferences. "The government should stay out of business!" an executive thunders. But in a footnote to the conversation, he amends his view slightly: "But the government should definitely keep cheap foreign products from flooding our market and stealing jobs from our people." It seems everybody wants something a bit

different from government.

And government leaders, being human, are enormously tempted to try to give people what they want, particularly those who have some part to play in returning them to political office. Some governments tinker with money supplies and exchange rates. Others buy and sell commodities on the open market, hoping to stabilize volatile trading. Others own and operate corporations that compete — usually ineptly — against firms in the private sector. Government attempts to fix the problems of society by bullying business enterprises range from the merely annoying, to the comical, to the downright destructive.

Case in point: the city government of San Francisco has long supported various aspects of the gay and lesbian political agenda. Under the mayorship of former state legislator Willie Brown, a noted social activist, the city passed an ordinance in 1997 requiring all firms doing more than \$5,000 per year of business with the city to provide the same health and insurance benefits to partners of gay workers that they offered to “straight” workers. This put the city squarely in the position of recognizing gay marriages as just as valid as heterosexual marriages, and using the city’s political influence to force companies to do the same.

However, getting some 16,000 firms to comply with the political agenda turned out to be a bit more difficult than they had expected. Managers of city departments had to stop doing business with both Federal Express and United Parcel Service, two of the largest international package transport firms, when they refused to comply with the demand. They had to pay smaller, less qualified firms up to ten times as much to ship items to Europe. News of poorer service and higher prices on everyday items such as toilet paper caused grumbling among many managers, but few were bold enough to speak against the ordinance in a city long known as a center of gay and lesbian life. The city did, however, continue doing business with the US Postal Service, even though it does not offer domestic-partner benefits to gays and lesbians.

Case in point: in a similar spasm of social responsibility, the state government of Hawaii mandated that all businesses offer healthcare plans to their workers, and that the firms pay part of the costs. Hailed on the US mainland as a forward-looking program, the state’s plan had a number of significant unanticipated consequences. The most serious result was that employers capitalized on a part-time provision in the law, which applied only to employees working 20 hours or more per week. The result: a big reduction in the number of full-time jobs, and a huge number of workers with 19-hour part-time jobs. It became very common in Honolulu to find workers traveling to two different jobs in the same day to work their weekly total of 38 hours, if they could succeed in coordinating their work schedules between two different employers.

In his classic little book *Economics in One Lesson*, professor Henry Hazlitt advanced a very simple proposition:

Virtually every time a government intervenes in a free-market economy, it causes exactly the opposite

of its intended result.¹

For example, Hazlitt points out the folly of the minimum wage, so popular with socialist or social-activist administrations. If the government pegs the minimum wage rate close to the market price for unskilled labor, it has little or no effect. If it sets the wage well above the market price, employers eliminate or don't fill as many low-end jobs as they can, driving up unemployment among the very people who can least endure it. If it sets the wage well below the market price, it has no effect because employers are already paying higher wages to get the employees they need. Hazlitt offers a number of other examples to support his argument that help from the government is usually worse than no help at all.

Management expert Dr. Peter F. Drucker makes a similar point. "Sooner or later," he maintains, "just about every government program, with the notable exception of warfare, accomplishes exactly the opposite of its stated objective."

With a wide range of government entities operating in a typical fair-sized country, particularly one like the US, there is a spectrum of sociopolitical ideologies. These varied ideologies find expression in all manner of legislation, social programs, and regulatory policies. Some local and mid-level officials operate according to their own homemade ideologies, while others prefer to study the theories of various professional ideologues in universities and think tanks.

Some political parties bring their ready-made ideologies with them when they come into power. Europe recently has seen a widening conflict between traditional socialist views of guaranteed wages and benefits, and the "destructuring" rationale recently popular in America. The French government tried to cope with the country's intractable unemployment problem by legislating it out of existence. It tried to push through legislation reducing the standard work week to 30 hours, while requiring employers to continue paying the same gross wages for the work. This, presumably, would cause them to need and hire more workers. *Voilà!* the unemployment problem is solved. *Mais non.*

This economically naive line of reasoning, tried in various other desperate regimes, works on the assumption that employers will not respond by immediately looking for ways to limit their rising labor costs. Job cutting, replacing low-skill jobs with automation, and outsourcing tend to follow directly as unanticipated consequences. The two contrasting governmental views of the corporation, either as an economic mechanism for growth or a political cow to be milked, is at the core the difference in economic success from one nation to another.

Many governments, particularly in Europe, try desperately to avoid the terrifying "tractors driving down main street" syndrome, i.e. the prospect of mass strikes by workers in various industries, disgruntled at the prospect of losing this or that fringe benefit. For many, it is too convenient to demonize Big Business, and deflect the rage of the disaffected toward the corporations, as a way to avoid the political hard work of dismantling the parasitic governmental constraints on the economy.

And in some cases, the people running a government are simply too backward and ignorant for their own good. For years the country of Zaire, recently renamed The Democratic Republic of Congo, has dozed on top of one of the world's largest deposits of industrial grade diamonds. Yet, because of the greed, hunger for power, and sheer economic ignorance of one government after another, mining of diamonds has nearly come to a standstill. No reputable firm has found a way to make a reasonable return on its investment, knowing that corrupt governments will confiscate most or all of the revenues from the operation. The people living under these regimes pay a terrible price for the economic ignorance of their leaders.

In more politically benign environments, many firms choose to employ lobbying efforts, both formal and informal, to inform and influence key political leaders. While a treatment of lobbying methods and goals is beyond the scope of this book, it is certainly advisable to know which legislators and regulators are most involved in the primary issues for your business, and to understand the ideologies that guide their actions.

The Age of Agendas and Dilemmas

Your political radar must also be able to detect critical social issues through the informational fog created by a media environment obsessed with drama. We seem to be coming into a period in which, increasingly, we find the interests of one particular sector of society pitted against those of another. Perhaps this has always been the case, economically at least, but the daily news seems more and more taken up with the theater of agendas, dilemmas, and conflicts. Issues affecting the interests of a particular business enterprise are very likely to be embedded in highly dramatized stories, with their meanings obscured by the reporting techniques used to emotionalize the content.

An issue like food safety and sanitation, for example, is less likely to be presented in the context of experts explaining the dangers and costs, and more likely to be presented in the context of a dramatized story about people dying from eating food sold by one particular company, which becomes a one-dimensional villain in a morality play. The content becomes subordinate to the drama, and experts, if there are any, get relegated to the role of supporting actors.

More worrisome is the tendency of newswriters to blur or eliminate the distinction between journalistic opinion — the slant — and content. A very strong trend in “issues reporting” over the past decade or so is to dramatize and sensationalize coverage, with content becoming ever more scarce and implication becoming ever more prominent. In the process of emotionalizing the presentation, newswriters unavoidably make choices that push viewers and readers toward certain interpretations and moral judgments.

Journalists, particularly in America, have for years tried to delude the public, and often themselves, that there is such a thing as “objective journalism,” and that they practice

it. In recent years, with the media-led destruction of one public figure after another, this charming fiction has become ever more difficult to promote. The impeachment trial of US president Bill Clinton in early 1998, and the media orgy which centered on the most salacious details of the allegations of his sexual misconduct, brought US public opinion of America's news establishment to an all-time low. A record number of Americans now believe that the companies, newswriters, and newsreaders who populate the core of the media industry have virtually no meaningful code of ethics regarding the making and selling of their product.

Certain social issues tend to expose journalistic bias better than others. When the slant of a story tends to match the pre-established ideology or values of a majority of viewers or readers, i.e. the presenting journalist shares the views of most readers, he or she tends to emphasize the moral tone of the story and minimize attention to conflicting views. But if the journalist prefers an alternative ideology to the one currently popular, he or she tends to portray the issue as one of conflicting ideologies, with roughly equal coverage given to both. This creates the impression that the citizenry is about equally divided, or at least that the matter does not enjoy a significant consensus.

Statistical surveys of American journalists and many others involved in news production indicate they are decidedly liberal in their personal political views. Surveys of those living and working in the Washington, DC market indicate an overwhelming personal preference for Democratic candidates, causes and objectives over those of Republicans. Certainly, every journalist should be entitled to his or her political views as an ordinary citizen, and there is no guarantee that one's views will taint his or her perceptions, choices, and explanations. However, the possibility is real and cannot be ruled out as a general matter. Issues such as physician-assisted suicide, abortion, same-sex marriages, and many others tend to challenge the ability of journalists to exclude their personal biases.

The issue of the death penalty in the US shows more clearly than most others the differences between the personal social views of many journalists and those of the general public. Surveys over a number of years have indicated that a very large majority of Americans favor the death penalty for certain crimes, with the number in favor ranging from about 75 percent to as high as 85 percent. This level of approval has consistently stayed roughly the same for many years. However, whenever a newsworthy execution takes place, most newspapers apply exactly the same slant: the controversial execution has once more dramatized the fierce debate in the country about the desirability of capital punishment.

The execution story focuses on the fear, apprehension, and suffering of the person about to be executed — the victim — and displays that pathos as the background for the calls of the aggrieved family for justice and the calls for compassion by those who oppose the death penalty. Regardless of the division of opinion on the issue — any issue — the 50-50 treatment of two opposing views raises or lowers both to the level of presumed parity. The design of any news story is a decision rooted in some

ideology or other. Most educated people have little trouble understanding this point, although they may be distracted from its effects if the dramatic presentation is effective. Journalists seem to be the only ones who still deny it.

The purpose of this discussion is not to dwell on the problems of the news industry, but rather to form a realistic view of how the issues affecting a particular business enterprise find their way to the attention of those in a position to influence the consequences. Many executives become frustrated by the stories they see in newspapers and on television, portraying corporations as uniformly cynical, exploitive, heartless, and arrogant. Often their own lack of understanding of the news industry leads them to victimize themselves with their own naive expectations.

These days, every senior executive needs a practical understanding of how the news gets made, and the way in which companies and their leaders are cast into the roles defined for them in the story line. And certainly, every executive must expect, sooner or later, to participate in an important media interview. Knowing how to manage these opportunities has become an indispensable leadership skill.

Media expert John Wade, who trains executives to manage media interviews, says:

The agendas of the media and business are not naturally compatible, even though the media are themselves businesses with the same ultimate motivation of making money. There has always been distrust between the two entities, even before the advent of television. There is now a wary coexistence, with each willing to use the other for possible benefit.²

A discussion of the techniques for dealing with the media is beyond the scope of this book, but no less important. A few key points may be useful here.

Probably the first realization every executive needs to make is that news companies seldom have any interest in making life difficult for any particular company or its leaders. They have no innate desire to make businesses look bad or good. In general, they are neither against the interests of your firm, nor in favor of its interests. Their interest is in selling news, not doing battle with the corporate world.

To realize this, you only have to watch your local news for the occasional “isn’t that sweet” story about how a local company helped a school, or rescued a stranded whale, or allows its delivery drivers to check in on little old ladies confined to their homes. They are quite willing to assign a company to a positive role in a news story. The key point is: *there must be a story*. If you don’t understand this, you risk descending into a state of permanent paranoia. The fact that the corporation as the evil empire is a more popular choice for typecasting than the benefactor of the community says something about the market, not about the motives of news producers.

The second key realization is that news companies are basically addictive

organizations. Just as some small firms become totally dependent on the business of one large customer, news organizations have become totally dependent on advertising revenues, at least to the extent that they operate on the American model of “free” information. This means that they have no choice but to design their products to capture the increasingly fickle attention of people who are bored, inattentive, and jaded by an oversupply of drama. This is the reason that terrorists resort to ever more horrific acts to gain attention for their agendas: they understand that yesterday’s drama is today’s boredom.

Newsroom veterans have an old and revered maxim: “If it bleeds, it leads.”

The third key realization for executives who hope to understand the political treatment of agendas and issues in the press is that most journalists don’t like to work hard, either mentally or physically. Providing them with *interesting* information, which can become the substance of a provocative treatment, can often reduce the temptation for them to conjure up conflicts, crises, and moral dilemmas. To be fair, the job of digesting and interpreting complex concepts, facts, and figures is intellectually fatiguing. Many news people have a hard time keeping a high standard of inquiry, analysis, and synthesis as they deal with one story and deadline after another. It only makes good sense to help them do a good job.

As an author, I’ve been interviewed countless times by broadcast and print journalists. I have met with many who are bright and capable, and some who displayed a remarkable grasp of the concepts I’ve presented in my books, and who have clearly invested time and mental energy to prepare for the interview. Others, however, are just plain lazy. And a few are not even very bright. Just as the capable and diligent journalist can build a quality information product based on an interview, the lazy or incompetent can do great damage. This is why the PR departments of publishing firms provide a kit of simple materials to interviewers, including the actual text of interview questions they can use.

Anti-Corporate Politics

When T.J. Rodgers, founder and CEO of Cypress Semiconductor, received a form letter from Sister Doris Gormley, representing a Catholic order of nuns, he read it carefully. Then he went through the roof. Sister Gormley, it seemed, was putting him on notice that her order was planning to vote against the re-election of the entire corporate board, including him, at the next shareholders’ meeting. Her reason: the board had no female or minority members.

Rodgers immediately drafted a reply to the Sister, which he later included with the company’s annual report to the shareholders. In his letter, he informed her that the primary qualifications for board membership were knowledge of the semiconductor industry and its problems, and a solid grasp of business principles. Since he had not yet found a woman with those qualifications, he felt no obligation to appoint someone to any of the five critical positions on the board solely on the basis of reproductive

status. He further informed her that her proposition was indeed *immoral*, in that she was asking him to disadvantage the thousands of people who had entrusted the board with their funds, for the sake of making an empty political gesture.

Rodgers' letter triggered hundreds of responses, over 90 percent of them in favor of his action, including a number from self-identified feminists. The *Wall Street Journal* ran a front page article on the controversy, including interviews with Sister Gormley and Rodgers. Members of Congress, other CEOs, and none other than Nobel economist Professor Milton Friedman expressed views on the matter. Friedman referred to an article he had written for *The New York Times* in 1970, titled "The Social Responsibility Of Business Is To Increase Its Profits."

The core of Rodgers' argument, and the views of others in business who have spoken out against special interest snipers who advocate "socially conscious investing" is that trying to penalize a corporation is simply a case of choosing one interest group over another. In the Cypress case, the advocate was claiming that the social good of appointing an unqualified member of a presumably disadvantaged group to the board outweighed the financial interests of thousands of shareholders.

Corporations have always been the target of assaults and accusations by socially motivated people, many perfectly well-meaning in their zeal, who feel they should be expected to solve the social problems of the society. "After all," they reason, "they have all that money. Why can't they use it to help this or that person, this or that cause?" A few years ago, a displaced factory worker named Michael Moore achieved his fifteen minutes of fame by producing a movie titled "Roger and Me," based on the plight of people in the town of Flint, Michigan. They had depended on the nearby General Motors car plant for their livelihood, and GM planned to close the plant because of excess capacity and high operating costs.

Moore built his film as a slice of life, showing the struggles of ordinary people left out of the American dream by a big, greedy, heartless corporation. His special touch was a series of cinematic ambushes on Roger Smith, then CEO of the company, portraying himself as an innocent reporter just trying to get the all-powerful mogul to stop and explain why he'd kicked all these people out of their jobs. The film made great cinema, especially for those who need to see life in terms of justice and injustice, but it added little to our understanding of the problems of cities, families, and communities. And it certainly offered no plausible rationale for corporations helping communities by operating plants that are no longer needed.

At the risk of launching off on a personal political rant: it seems to me that the corporation, as an economic invention, is one of the few things we have in the developed world that works extremely well. When it fails to create value for human beings and benefits for the society at large, it is usually when we try to twist it into something it can never be. A corporation is an economic creature and nothing else. The board of directors of a corporation, at least in Western law, has one and only one responsibility: to safeguard the assets of its owners, the shareholders. No one else looks after that interest. No one else can. And, if they fail to do it, the corporation fails

to deliver the only valuable outcome of which it is capable: focusing human energy to achieve worthwhile objectives.

A corporation is a marvelous invention, the social equivalent of the wheel and axle. When we try to make it into something other than what it is, an economic structure for organizing resources, we are insisting that it serve a purpose for which it was not invented. We are not disavowing the critical importance of poverty, inequality, and tragedy in human life simply by acknowledging that a corporation is not a useful mechanism for solving them. But when we understand that corporations are adaptive creatures, shaped by the decisions of the members of the board of directors, who are the only stewards of the shareholders' interests, we can arrange the playing field so that corporations contribute to the objectives of the society through the very process of competing with one another for resources, for which they are so marvelously well designed.

In short, if you really want to eradicate poverty, figure out how to make the absence of poverty profitable, and it will disappear quickly. But don't waste time and energy condemning Big Business for not doing what it was never designed to do. Corporations can only achieve results valuable to the society by amplifying human energy, not by squandering it.



Chapter Notes (11)

1. Hazlitt, Henry. *Economics in One Lesson*. New York, Crown Publishing Group, 1981.
2. Wade, John. *Dealing Effectively With the Media*. Los Altos, California: Crisp Publications, 1992, Page 15.

