

Too much caution at work

Brad Cherniak, Financial Post - Sunday, Nov. 14, 2010

With business these days often being portrayed as either villains or clueless waifs waiting to be rescued, it seems the whole DNA of business is under siege. Large corporations are so wrapped up in procedure and political correctness that the business of generating profits seems an afterthought. You have corporate board committees for community relations, diversity, equality, workplace fairness, environmental causes, the underprivileged and a host of other worthwhile causes, but there is a growing haze surrounding the core purpose of business. Well-intentioned maybe, but dangerous.

Corporate boards have become increasingly process-bound, held back from properly carrying out their primary roles. The stock markets made their judgment about the disproportionate response of Hewlett-Packard's board regarding Mark Hurd, former chief executive of the computer giant. Billions of dollars of market capitalization were lost.

Another symptom of the problem is the chatter surrounding the appointment of Daniel Akerson as chief executive of General Motors. Many worry he is too aggressive, direct, blunt and demanding ... are you kidding me? Corporate chief executives, including said Mr. Akerson, are even criticized for their use of "colourful" or inappropriate language. An hour in my office, or those of half my clients, would probably kill those concerned citizens.

Business is being held by commentators and governments to a zero-tolerance policy for being, well, businesspeople. Very productive and valuable executives and managers are being discarded essentially for appearances ... under a misplaced abundance of caution.

When it comes to human resources, corporate boards can learn something from successful small business owners/operators: If employees, even executives, are more than carrying their weight, don't lose them. Barring Class 1 felonies or truly egregious misbehaviour, do what it takes to retain your most productive people. Even if they are unpleasant, miserable people to deal with, or whiny dilettantes,

you must continually do the calculation of the costs of losing and replacing them. Companies that fail to take this approach to employees erode shareholder value and ultimately can put the company in peril.

Bottom line, business is a blood sport and we cannot be too complacent about the health of the companies that make up our free-enterprise-driven economies. As appears to be the case in the United States, governments and individuals should not believe companies are indestructible pinatas that can be bashed, bullied, coerced, regulated and taxed endlessly without threatening their long-term survival. Nor should business leaders be forced to become bland and pliant automatons or you will lose the creativity and spirit that actually drives the economy and, make no mistake about it, everyone's overall well-being.

A sign of a true recovery will be to see more sentences written anywhere that contain the word "business" without it being accompanied by "government."

More than a month ago, Stephen Harper convened yet another blue ribbon panel, or Private Sector Committee, to advise the government on small business growth. One of its mandates is unsurprisingly to improve access to federal programs and information. I have an alternative to this -- fewer federal programs and less information, lower taxes and deficits, governments with a more modest and limited sense of their mandate and capabilities, and less dialogue between business and government, not more.

"It is time to speak up and bring the fight to an intellectual level," says Antoine Pacquin, a Canadian serial entrepreneur and venture capitalist who is in the process of starting up another company, Solantro Semiconductor Corp.

"I dread the appearance of the government into every facet of life, including business. Government's sole role should be to protect individual liberty, including the rights to 'Life, Liberty, Property, and the Pursuit of Happiness.'

"I am a huge fan of the Misesian economic school and think it is high time to dump Keynesianism, which only serves the distorted, self-serving views of almighty, unaccountable and unelected bureaucrats who really run the show ... politicians are merely puppets. It is time for 'We the People' to speak up or we deserve the outcome."

Ludwig Von Mises, who died in 1973, was a classical liberal economist who believed active government monetary policy contributed to inflation and

increased business cycles. He also believed government intrusion into the economy disrupted the pricing mechanism for goods and services and argued governments did not have the ability to manage complex economies and would always fail badly in the task. Von Mises helped usher in a generation of free-market thinkers, and an era of extended prosperity.

-Brad Cherniak has spent more than 20 years as a principal, advisor to and investor in private companies. He is co-founder and partner at Sapien Capital Partners, a Torontobased advisory firm to companies from early stage to \$50-million in revenues. His column appears monthly in Financial Post. He can be reached at brad@sapien.cap.com.

Read more: <http://www.financialpost.com/much+caution+work/3828795/story.html#ixzz15MiFwpiJ>