BOOK REVIEW

AN ALTERNATIVE TO "BUSINESS AS USUAL"?

EVANGELICAL CHRISTIAN EXECUTIVES: A NEW MODEL FOR BUSINESS CORPORATIONS. By Lewis D. Solomon. New Brunswick, N.J.: Transaction Publishers. 2004. Pp. 177.

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Since the 1990's, the public has been made a spectator to corporate behavior that has had a significant adverse impact on society at large. The collapse of Enron Corporation,[1] the fiasco of mortgage backed securities,[2] and more recently, the disclosure of Volkswagen's manipulation of its emissions data[3] have resulted in either a disruption of the financial market itself or, in the case of Volkswagen, a significant drop in sales. This, in turn, has provoked public discussion of the need for greater governmental regulation of corporations and of the stock market as well as the social responsibility of corporations.

The concept of the social responsibility of corporations is of relatively recent coinage. It reflects a shift in focus from the thinking of earlier economists such as Milton Friedman. In 1970, Friedman published an article in *The New York Times Magazine* titled "The Social Responsibility of Business Is to Increase Its Profits."[4] In this article he observed that

> The discussions of the "social responsibilities of business" are notable for their analytical looseness and lack or rigor. What does it mean to say that "business" has responsibilities? Only

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1 *See Behind the Enron Scandal: Chronology of a Collapse*, TIME, http://content.time.com/time/specials/packages/article/0,28804,2021097_2023262_2023247,00.html (last visited Dec. 29, 2015). On February 20, 2001, Enron stock closed at $75.09 per share. By August 14, 2001, the value of a share of Enron had dropped by almost 50% to $39.55 per share. By December 2, 2001, when Enron filed for bankruptcy, its stock closed at $.26 per share.

2 *See* David Ingram & Peter Rudegeair, *U.S. Accuses Bank of America of Mortgage-Backed Securities Fraud*, REUTERS (Aug. 6, 2013, 7:04 PM), http://www.reuters.com/article/us-bofa-justice-idUSBRE9750ZU20130806.

3 *See* Graeme Wearden & Jullia Kollewe, *VW Emissions Scandal: Misconduct, Process Failure and Tolerance of Rule-breaking Blamed—as It Happened*, THE GUARDIAN (Dec. 10, 2015, 9:59 PM), http://www.theguardian.com/ business/live/2015/dec/10/volkswagen-vw-grilling-emissions-scandal-bank-of-england-business-live; *see also* Nathan Bomey, *Volkswagen U.S. Sales Feel Effects of Emissions Scandal*, USA TODAY (Nov. 3, 2015, 11:25 AM), http://www.usatoday.com/story/money/cars/2015/11/03/volkswagen-us-sales-feel-effects-emissions-scandal/75090104/.

4 Milton Friedman, *The Social Responsibility of Business Is to Increase Its Profits*, N.Y. TIMES MAG., Sept. 13, 1970.

> people have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but "business" as a whole cannot be said to have responsibilities, even in this vague sense. The first step toward clarity in examining the doctrine of social responsibility of business is to ask precisely what it implies for whom.[5]

In 2002, in presenting his semiannual report on the economy to the Senate Banking Committee, Alan Greenspan, the chairman of the Federal Reserve Bank, focused on the recent upheaval in the stock market *vis a vis* the relationship between corporate managers and stockholders.[6] Although he referenced other uncertainties that could impact the stock market such as future disclosure of corporate malfeasance, and global political events and terrorism, his analysis did not extend to a discussion of the general social responsibilities of corporations.[7] He limited his discussion to the role of corporate infrastructure and market forces.

> Why did corporate governance checks and balances that served us reasonably well in the past break down? At root was the rapid enlargement of stock market capitalizations in the latter part of the 1990's that arguably engendered an outsized increase in opportunities for avarice. An infectious greed seemed to grip much of our business community. Our historical guardians of financial information were overwhelmed. Too many executives sought ways to harvest some of those stock market gains. As a result, the highly desirable spread of shareholding and options among business managers perversely created incentives to artificially inflate reported earnings in order to keep stock prices high and rising. This outcome suggests that the options were poorly structured, and consequently they failed to properly align the long-term interests of shareholders and managers, the paradigm so essential for effective corporate governance. The incentives they created overcame the good judgment of too many corporate managers. [8]

He went on to say that

> [S]hareholders must perceive that corporate governance is properly structured so that financial gains are fairly negotiated between existing shareholders and corporate office holders.

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[5] *Id.*

[6] *Corporate Conduct: Excerpts from Report by Greenspan at Senate*, N.Y. TIMES, July 17, 2002, http://www.nytimes.com/2002/07/17/business/corporate-conduct-excerpts-from-report-by-greenspan-at-senate.html.

[7] *Id.*

[8] *Id.*

> Shareholding is now predominantly for investment, not corporate control. Our vast and highly liquid financial markets enable large institutional shareholders to sell their shares when they perceive inadequacies of corporate governance, rather than fix them. This has place de facto control in the hands of the chief executive office. Shareholders routinely authorize slates of directors recommended by the C.E.O. Generally, problems need to become quite large before C.E.O.'s are dislodged by dissenting shareholders or hostile takeovers.[9]

In the aftermath of such corporate scandals, Congress enacted legislation to further regulate corporations,[10] and the U.S. Department of Justice has undertaken investigations that in some instances have resulted in criminal prosecutions.[11] Some firms have chosen to respond by promulgating their own codes of ethics as an institutional response to the corporate scandals.[12]

Lewis Solomon's book, *Evangelical Christian Executives*, examines an alternative model for business corporations in which the business founders integrate faith in their day-to-operation of their businesses and define corporate responsibility to encompass shareholders, employees, customers, and the community at large. Solomon limits his study to six companies in six different industries: Covenant Transport; R.B. Pamplin Corporation; ServiceMaster Company; Herman Miller, Inc.,; Interstate Batteries System of America, Inc.; and R.W. Beckett Corporation. The individual case studies examine a number of different aspects of these businesses. Among them are the leadership styles of the chief executive officers, the core values of each business, the challenges faced by each business, and how these businesses have resolved external controversies.

I. FORM OF CORPORATE LEADERSHIP

As a stepping off point, Lewis examines the form that corporate leadership takes in each of the six companies reviewed.[13] He divides the

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[9] *Id.*

[10] *See* Larry Bumgardner, *Reforming Corporate America: How Does the Sarbanes-Oxley Act Impact American Business*, 6 Graziadio Bus. Rev. (2003), http://gbr.pepperdine.edu/2010/08/reforming-corporate-america/; *see also* Brooke Masters, *Enron's Fall Raised the Bar in Regulation*, FIN. TIMES (Dec. 1, 2011, 5:38 PM), http://www.ft.com/cms/s/0/ 9790ea78-1aa9-11e1-ae14-00144feabdc0.html#axzz3viBA8xzU.

[11] *See* Matt Apuzzo & Ben Protess, *Justice Department Sets Sights on Wall Street Executives*, N.Y. TIMES, Sept. 9, 2015, http://www.nytimes.com/2015/09/10/us/politics/new-justice-dept-rules-aimed-at-prosecuting-corporate-executives.html?_r=0.

[12] Steven Savides, *Firms Raise Their Own Codes of Ethics*, THE CHRISTIAN SCI. MONITOR, Nov. 4, 2002, http://www.csmonitor.com/2002/1104/p18s01-wmcr.html.

[13] Lewis D. Solomon, EVANGELICAL CHRISTIAN EXECUTIVES: A NEW MODEL FOR BUSINESS CORPORATIONS 8-12 (2004).

leaders into two groups.[14] One group not only weaves its faith into the operation of the business but seeks to use the business as a vehicle for proselytizing non-believers (e.g., Covenant Transport, Inc.).[15] The other group prefers what Solomon refers to as "a more sophisticated approach, based on the biblical principles of stewardship or servant-leadership (or both concepts), actively pursu[ing] a values management strategy" (e.g., R.B. Pamplin Corp).[16] The companies are furthered divided into three different models of evangelical Christian business leadership: constant, transformational, and evolving.[17] He designates Covenant Transport, Inc. and R.B. Pamplin Corp. as constant firms (i.e., "[C]ontinually managed with a religious-orientation from their founding to the present day.").[18] Service Master Co. and Herman Miller, Inc. are designated as transformational firms.[19] They have undergone a transformation over the years becoming more secular but have retained a "spiritual, broadly inclusive" approach in conducting business.[20] Interstate Batteries system of America, Inc. and R. W .Beckett Corp. are offered as examples of evolving models of business.[21] Each started as a secular organization but has evolved into a religious-based entity.[22]

II. CORE VALUES

Despite the fact that each of these companies operates in a different industry, there is a common thread that runs throughout each company narrative. Each of these companies has faced the challenges of expanding operations and how to finance such expansion, diversification of business activities, maintaining a stable workforce, and maintaining a competitive edge. In responding to these challenges, these companies have not limited their mission to one of mere profitability.

While operating within the boundaries set by law, Solomon suggests that each of the companies studied carries out a broader mandate.[23] They conduct business in a manner that acknowledges a duty to shareholders, employees, customers, and the community at large in a number of different ways.[24] For example, these companies are generally committed

14 *Id.* at 9.
15 *Id.*
16 *Id.* at 9-12.
17 *Id.*
18 *Id.*
19 *Id.*
20 *Id.*
21 *Id.*
22 *Id.*
23 *Id.* at 23-30.
24 *Id.*

to error-free efficient delivery of products and services.[25] Company performance is periodically reviewed in an effort to achieve that goal.[26]

Employees are valued as contributors to a company's success.[27] Each company's commitment to their employees is reflected in employee training opportunities and funded employee retirement benefits.[28] One corporate leader, the head of ServiceMaster explained the link between profits and employees as follows: "People and profits are part of our mission. Profit is how we are measured by our owners. It provides the resources to grow and develop people."[29] Certain company policies are aimed at maintaining a sense of the interrelationship of the workforce and customer base.[30] For example, ServiceMaster requires every manager to work one day a year in the field delivering services to one of its customers.[31]

One might reasonably wonder whether these benefits are limited to employees who are Christian. However, Solomon's case studies do not indicate that employees who are not Christians suffer any disadvantage in terms and conditions of employment.[32] Solomon found the workforces in these companies to be religiously diverse.[33] The emphasis appeared to be on inclusiveness and respect for the dignity of the individual.[34]

This emphasis on respect for others appears to extend beyond the workplace. Each of these companies seeks to be a good corporate citizen.[35] They encourage their employees to volunteer within the community.[36] Moreover, there is an established policy of corporate philanthropy.[37] A portion of company profits may be returned to the community.[38] At least one of the corporations studied by Solomon tithes ten percent of its pretax profits to charitable organizations in addition to funding educational scholarships.[39]

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25 *Id.*
26 *Id.*
27 *Id.*
28 *Id.*
29 *Id.* at 70.
30 *Id.* at 70-73.
31 *Id.* at 77.
32 *Id.* at 157-60.
33 *Id.*
34 *Id.*
35 *Id.*
36 *Id.*
37 *Id.*
38 *Id.*
39 *Id.* at 50 (emphasizing the role of the R.B. Pamplin Corp.).

III. CORPORATE CHALLENGES

These companies share the challenges of their secular counterparts. If they produce a product that is manufactured and sold in the global marketplace, they must compete with the reduced labor costs in other countries that threaten their market share at home and abroad. If their wage structure is not competitive, they experience a high turnover of employees which is costly both in time and in money. If they rely more on technology to produce a product, they must incur the initial investment in the technology and must train their workforce to use the technology. If they replace workers as a result of implementation of technology, they must address the economic consequences both to their workers and to the community in which their operation is based.

These companies must also deal with the ebb and flow of the economy. During boom times, they expand. They have to make the choices of whether to finance growth through equity funding or through increased debt. During the lean times, they face the choice of selling off operations and downsizing in order to service company debt and remain viable. What these companies appear to have learned over time is that their success during boom times and lean times flows from having a clear sense of mission and remaining true to that mission.[40] It is worthy of note that during the economic recessions of the eighties and the nineties that each of these companies held its own and emerged from the recession as stable, viable companies.[41]

Like their secular counterparts, the companies studied have had to adapt to changing and challenging legal environments. Those involved in the manufacturing process have had to adapt to changes in federal environmental laws. During the seventies, federal clean air and clean water legislation required changes in previously acceptable manufacturing processes and waste disposal. As a result, several of the companies studied were cited for environmental law violations.[42] In some instances, they were sued by citizen groups or governmental entities.[43] Often the conflict was resolved by a settlement agreement in which the company ceased the activity that gave rise to the complaint and took steps to remediate the damage done to the environment by the company's activity.[44] Generally, the settlement agreements reached obligated the company in question to cease the practice in question and to restore the environment to its former status, to the extent possible.[45]

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40 *Id.* at 157-60.
41 *Id.* at 3-6.
42 *Id.* at 53, 79.
43 *Id.*
44 *Id.*
45 *Id.*

In at least one instance, the furniture manufacturer Herman Miller Inc. took a proactive approach. Herman Miller Inc. manufactures high-end office furniture. Solomon notes that, "The firm evidences its seriousness about designing and implementing sustainable business practices in two key areas: waste reduction and earth-friendly materials and processes."[46] It does this in several ways. The first entails recycling or reusing nearly all waste left over from its manufacturing processes.[47] Second, it uses wood from sustainability-managed forests rather than wood such as rosewood that come from endangered rain forests.[48] Last but not least, it produces "green" furniture (i.e., furniture that is manufactured in ways that generate less pollution, and that uses recycled materials and non-polluting finishes).[49] These policies apply not only to the furniture it produces but also to the firms to which it outsources the manufacture of components.[50]

On the whole, *Evangelical Christian Executives*, makes for an interesting read. Given the title, one might expect it to be attempt to proselytize the reader. That is not the case. Solomon is careful to disclose his perspective in writing the book and to lay out his analytical perspective from the outset. It is his intention to "[F]ocus on an entire corporation's culture and its goals and achievements through the leadership provided by those at the top of an organization."[51] In the case of the companies examined, the culture of the corporation is founded on the Christian values of each company's head.

How do these values translate into action? They require a more expansive view of the corporate mission than bottom line profits. They envision a duty of the corporation not only to the stockholder but to the employees, the customers and to the community at large. That duty is broad enough to encompass religious diversity at the workplace. It is broad enough to allow incorporating environmental concerns into a company's business mission and strategy. It is broad enough to allow for profitability for the shareholder as well investment in the education and training of employees. It is broad enough to envision the reinvestment of corporate profits in the community through grants to charitable organizations and educational scholarships. It is a broad enough to see corporate profits not as an end in and of itself but as a means to an end.

Solomon does not gild the lily. These corporations face many of the challenges of their secular counterparts. They also may find it difficult

46 *Id.* at 113.
47 *Id.*
48 *Id.* at 114.
49 *Id.*
50 *Id.*
51 *Id.* at 14.

to maintain their faith based orientation once they choose to go public. However, that does not alter the fact that a corporation must identify the core values upon which it is predicated. These core values should provide the foundation for corporate culture. Where the current economic environment requires a change in corporate culture, the transition requires commitment and intentionality. As Solomon notes in his concluding chapter

> Organizational transformation, particularly the formulation and implementation of a new corporate governance model, requires a tremendous commitment, as well as patience and persistence, from a firm's senior executives to build and sustain such an environment. What is required is pragmatic, but idealistic, leaders with their own sense of meaning and purpose who can build and sustain authentic relationships, thereby facilitating the actualization of others, helping them grow and develop, personally and professionally. Based on the need to develop their respect for others and the personal growth for all, they ought to encourage team-building, synergy, and win-win thinking within the organization as well as with its customers and suppliers. These value-oriented leaders will also build flexible, sustainable, and competitive corporations, providing long-term earnings growth, thereby satisfying the financial requirements of shareholders and investors. They will create business organizations meeting ownership and other stakeholder needs.[52]

In short, Solomon provides a contrasting perspective to Milton Friedman's suggestion that corporations are in the business of making money for shareholders, and the concept of corporate responsibility beyond that is abstract or lacking in meaningful content. He also provides a broader perspective than that of Alan Greenspan who characterizes the corporate debacles of the nineties as a breakdown in corporate infrastructure for which the CEO should shoulder the blame. Solomon's case studies focus on evangelical executives but have a broader context. One is led to the conclusion that corporate decision-makers who focus solely on profits without regard to the interim and long-term consequences of their decisions do so without proper regard for what it takes to build sustainable, flexible corporations that can weather financial storms and provide long-term earnings growth.

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[52] *Id.* at 169.