



Transcripts

Commentary-Consumer Input

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SUSIE GHARIB: Tonight's commentator thinks there's something to be said for focusing on the consumer. He's Adi Ignatius, editor-in-chief of the "Harvard Business Review."

ADI IGNATIUS, EDITOR-IN-CHIEF, HARVARD BUSINESS REVIEW: In 2009, business leaders spoke of the reset economy -- starting from scratch with new and generally reduced expectations. In 2010, as businesses begin to focus on growth opportunities, it may already be time to reset to give way to something more strategic -- reinvention. One radical and overdue, reinvention could start with modern capitalism. **Roger Martin**, the dean of the **Rotman School** in Toronto, argues that the management model that most companies have pledged allegiance to for the past few decades -- what's known as shareholder value maximization -- is tragically flawed. Shareholder value argues that when you align decision-making and compensation with maximizing return to investors, not only do shareholders benefit, but so does the economy. But according to Martin, shareholders have actually earned lower returns since corporations adopted this as their guiding principle. So what's the better approach? Martin argues for what he calls customer-value maximization. This focus allows executives to concentrate on building the real business and not get distracted by managing shareholder expectations. Procter & Gamble, whose CEO, A.G. Lafley is a proponent of this approach, is both a world-class leader in innovation and has generated strong returns for shareholders. Commentators for years have lamented the short-term obsession of major companies and Wall Street. Focusing on customers is a long-term game and may be what can bring new life to modern capitalism. I'm Adi Ignatius.