

In the previous video, we focused on how the corporation is changing in the United States. But what about corporations around the world? Turns out there's quite a bit of variation both across countries and over time. So let's take a brief tour of what's happening in other places.

Corporations in the United Kingdom, Canada, Australia tend to follow the US model of putting shareholder value very high in their priorities. But they haven't gone quite as far. For example, CEOs aren't paid as much in those countries as in the United States. So the gap between CEO pay and average worker pay isn't nearly as much as we have in the United States. But some other countries, like Germany and Norway and Sweden, have tended to take much more of a multiple stakeholder view of the firm and its responsibilities. We can best see this as the way companies are organized in Germany. So let's take a look at Germany.

In Germany, the board of supervisors, equivalent to boards of directors in the United States, is made up of large representatives of large financial institutions and representatives of employees, sometimes equal numbers and sometimes different percentages. But employees play a role in corporate governance directly in Germany. At the workplace level, there are consultative bodies called works councils, elected bodies elected by blue collar workers, production workers, white collar workers, managers, and supervisors, all there to provide advice to the company on its human resource and employment practices. And in fact, the company has to listen to the works council when it makes changes in employment policies.

Then corporations are also very active in training, working together at the original level with vocational schools and with labor to build apprenticeship programs so that they have an adequate supply of workers for today's economy and for tomorrow's technology and economy. So in Germany and in European countries, you tend to see much more of the corporation taking a responsible role for these kinds of activities.

Let's look at another example, Japan. Japan has corporate boards that have basically three groups. First, they have the investors, the banks. Secondly, they have suppliers and the network of suppliers that firms have long term relationships with. And third, they have internal corporate executives. And in fact, often the most influential executive in Japanese corporations sitting on these boards is the human resource executive. And that's one of the reasons why we see longer term employment security part of the Japanese tradition. We see much more investment in training and development of employees from within.

Now these practices are changing. Japan's economy has been struggling to adapt to a more innovative, flexible economy. And so some corporations open to international competition have moved more toward the American model in recent years. So nothing is cut in stone. Changes happen from time to time as the economy changes.

Here's another example, Korea, also in the throes of change. Korea also has a long history of very large corporations, very paternalistic, long term employment security. But as Korea has made a very strong effort to become more flexible, more innovative, some of these traditions are changing. And that's led to lots of conflict over the appropriate role of the corporation in Korea. So there is a country that is in the throes of change. We'll have to wait and see how it plays out.

Some companies in various countries have charted their own course, independent of what the government is doing. For example in Brazil, there's a very famous company called Semco that in the 1980s, a new CEO took over by the name of Richard Semler. And he helped grow that company from about \$2 million in revenue to over \$200 million in about a decade. And what did he do? He said let's democratize the organization. Let's let workers shape their own jobs. Let's let workers help us to figure out how we can expand into new industries and diversify this company and become part of the world economy. And in fact he's been recognized for his leadership and his vision by the World Economic Forum, which described him and gave him an award as one of the global leaders of tomorrow.

Likewise in Finland, a company by the name of Nokia, known well in the telecommunications industry and in the phone business, had a very difficult time adjusting to changes in its markets. And so it's had to restructure and lay off a lot of workers. But as it did so, it decided that it would allow workers to take some of the product development ideas that they had been working on and some of their own ideas for new directions for the company and start their own companies. And they would support these employees during this transition period. So you can see that companies can shape their own corporate governance arrangements, even within a national government.

Well, what can we learn from this very quick survey around the world of how corporations structure themselves? I think there are two lessons. First, there's no one best way. The American mantra of profits over everything else isn't necessarily copied around the world. There are different approaches. And the second thing to recognize is that these all have to adapt over time to changes in the economy, to changes in the workplace issues that we are facing. And so we can change our corporate governance policies, even within a country, when necessary.

And so I think this is good news. It means there is no one best model. It means that we can adapt over time. And it means that we have some choice over how we structure the role of the corporation in response to its shareholders and other stakeholders in society. So let's get on with thinking about what role do we want the corporation in our society to play today and tomorrow.