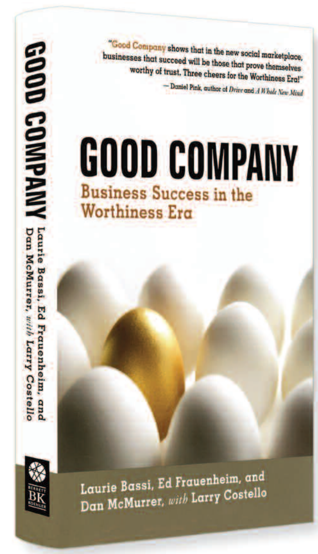
SOUNDVIEW Executive Book Summaries®
www.summary.com

Management



Good Company

Business Success in the Worthiness Era

by Laurie Bassi, Ed Frauenheim and Dan McMurrer with Larry Costello

THE SUMMARY IN BRIEF

Companies shirk taxes while padding profits. Firms foul the planet but keep raking in revenue. Reckless greed on Wall Street goes largely unpunished. More evidence that bad guys finish first in business? No. A different story is unfolding.

In *Good Company*, noted economist Laurie Bassi and her co-authors, Ed Frauenheim, Dan McMurrer and Larry Costello, show that, despite the dispiriting headlines, we are entering a more hopeful economic age. They call it the "Worthiness Era." And in it, the good guys are poised to win.

Good Company explains how this new era results from a convergence of forces ranging from the explosion of online information sharing to the emergence of the ethical consumer and the arrival of civic-minded Millennials. Across the globe, people are choosing the companies in their lives in the same way they choose the guests they invite into their homes. They are demanding that companies be "good company."

Using a host of real-world examples, Bassi and company explain each aspect of corporate worthiness and prove that virtue is now more than just its own reward.

IN THIS SUMMARY, YOU WILL LEARN:

- How the business world is changing for the good.
- How a convergence of economic, social and political forces is now pushing businesses to behave better — or else.
- How you can assess other companies with which you do business as a consumer, investor or employee.
- How to determine who the good guys are — those companies that are worthy of your time, your loyalty and your money.

CONTENTS

Published by Soundview Executive Book Summaries®, 500 Old Forge Lane, Suite 501, Kennett Square, PA 19348 USA

Concentrated Knowledge™ for the Busy Executive • www.summary.com
Vol. 34, No. 1 (3 parts), Part 3, January 2012 • Order #34-03

THE COMPLETE SUMMARY: **GOOD COMPANY**

by Laurie Bassi, Ed Frauenheim and Dan McMurrer with Larry Costello

The authors: Laurie Bassi is an economist and expert in human capital analytics. She is CEO of McBassi & Co. She also chairs Bassi Investments. She is the author of more than 80 published papers, including two articles for *Harvard Business Review.*

Ed Frauenheim is senior editor at *Workforce Management* magazine.

Dan McMurrer is the chief analyst at McBassi & Co. and chief research officer at Bassi Investments.

Larry Costello is the founder of the consulting firm The Lawrence Bradford Group.

Good Company: Business Success in the Worthiness Era by Laurie Bassi, Ed Frauenheim and Don McMurrer with Larry Costello. Copyright © 2011 by Laurie Bassi. Summarized by permission of the publisher, Berrett-Koehler Publishers Inc. 279 pages, $27.95, ISBN 978-1-60994-061-4.

To purchase this book, go to www.amazon.com or www.bn.com.

PART I: THE WORTHINESS ERA

Home Depot didn't look bad on paper in early 2007. But online, the home improvement giant didn't look good. And the story of that disconnect gets at the heart of this book: We're entering an age when goodness matters for companies like never before.

In January 2007, Home Depot ousted an unpopular, highly paid CEO, Robert Nardelli. And although Nardelli's whopping $210 million severance package irked investors, the company signed a much more reasonable deal with his successor, Frank Blake. The Nardelli-Blake transition earned Home Depot positive press. And although Home Depot was suffering from the housing market decline, Blake announced a hopeful outlook in late February.

But one month later, this corporate giant — which, in 2006, had ranked 14th in the Fortune 100 — was beset by the consumer equivalent of a mosquito swarm. The trouble started with an essay by personal finance columnist Scott Burns at website *MSN Money*. In the article, Burns lamented that Home Depot no longer held an intimate place in his life.

"Sixteen years ago, I sent my wife a love note. It went like this: *Carolyn: I've gone to Our Store. Be back soon. Love, Scott.* We called Home Depot 'our store' because we spent a lot of time there back in 1990. We're house freaks. ... But I have a confession to make. I still love my wife, but we don't shop much at Home Depot anymore. Indeed, we generally try to avoid it and grieve for the loss."

The reason Home Depot fell from his good graces, Burns wrote, is that the company shifted from serving customers well to abusing their time through skimpy staffing. "The result is that a once-iconic, wonderfully American store has become an aggravation rather than a blessing," he wrote.

MSN Money invited readers to share their own experiences with the "Big Orange Box." They did. By the thousands. Within the first week alone, some 4,700 comments were posted at the site. The bulk of them told withering tales of unhelpful employees and unpleasant visits.

Amid all the lamenting and lambasting, Home Depot stepped into the fray — in an unconventional way. Rather than have the firm publish a traditional press release, Frank Blake himself posted a comment directly on MSN's discussion board. Blake said the company was taking steps to improve its service and shopping experience, and apologized for the disappointment.

"There's no way I can express how sorry I am for all of the stories you shared," Blake wrote. "I recognize that many of you were loyal and dedicated shoppers of The Home Depot. ... And we let you down." The torrent of unflattering testimonials about Home Depot by everyday people and the fact that its CEO felt compelled to make a personal, direct appeal to customers speaks to a profound change under way in the business world today.

More and more, companies must be good to succeed. That is, they have to be good to their customers — as Home Depot wasn't a few years back — as well as good

1-800-SUMMARY
service@summary.com

Published by Soundview Executive Book Summaries® (ISSN 0747-2196), 500 Old Forge Lane, Suite 501, Kennett Square, PA 19348 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions starting at $99 per year.

Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Chris Lauer**, Contributing Editor

stewards of communities they touch and of the broader environment. And they must be good employers. Not just generous and caring, but also smart about managing people effectively and inspiring them — something that Home Depot apparently wasn't doing well at the outset of 2007.

Companies Behaving Better

Chief among the factors pushing companies to behave better are the rise of interactive Web 2.0 technologies and a corresponding culture of participation and disclosure, whereby millions of people are publishing their experiences and opinions online. Also forcing companies in the direction of worthiness is a growing global consciousness. Heightened appreciation of human interdependency — fueled by factors like international trade, travel and concern about global climate change — is making people care more about how companies treat workers, customers, communities and the environment.

Now more than ever, people are interested in and able to evaluate which companies are worthy of their business as customers, their best efforts as employees and their capital as investors. In short, people have newfound power to reward and punish corporations for their actions and they are doing so in a rising wave of "ethical" economic behavior.

The idea that good behavior is becoming a requirement may seem far-fetched at the moment. After all, among the companies profiting during the recent downturn were financial services firms like Goldman Sachs, which bet against its own clients and whose trading practices arguably worsened the economic crisis. And American workers have never been more "disposable," as a Bloomberg *Businessweek* cover story in early 2010 put it. Many workers have had little choice but to settle for precarious or part-time jobs amid high unemployment, greater use of temporary labor and continued offshoring.

Green-Washing Won't Work

Exactly how a company puts worthiness into effect will depend on its particular industry, work force and abilities. But it won't be enough to have piecemeal corporate social responsibility programs. Nor will greenwashing — the all-too-common practice of cloaking less-than-good environmental stewardship with ecomarketing — fool a public ever-more savvy about what true sustainability looks like. Organizations will be increasingly judged on how thoroughly worthy they are.

Not many corporations receive a top grade on that test right now. We developed a measurement of worthiness based on multiple criteria associated with customer care, people management and stewardship called the Good Company Index. Our research shows that just two Fortune 100 firms — shipping titan FedEx and entertainment giant Disney — earned an A, thereby meeting our definition of a Good Company. Plenty of the largest companies are laggards with grades of D or F.

If we are right about the dawning of a new era, such less-than-fully commendable companies may still be able to survive in the years ahead. But unless they shift to a course of real reciprocity with their stakeholders, they will not flourish. As Home Depot discovered in 2007, the business world is changing. Changing for good.

The Economic Imperative

The Disneyland employees most pivotal to the famed theme park's customer satisfaction aren't the ones roaming around in Mickey Mouse and Goofy costumes. They're the folks carrying brooms.

Scholars John Boudreau and Peter Ramstad have shown that the sweepers who continually tidy up the park and often answer guest questions are vital to Disney. The caliber of these workers and their ability to solve problems are crucial to the holistic "magic" Disney aims to create for visitors.

"Disney sweepers have the opportunity to make adjustments to the customer-service process on-the-fly, reacting to variations in customer demands, unforeseen circumstances and changes in the customer experience," Boudreau and Ramstad have written. "These are things that make pivotal differences in the 'Happiest Place on Earth.' … At Disney, sweepers are actually front-line customer representatives with brooms in their hands."

The importance of sweepers to Disney speaks to the way in which consumers' desire for integrated experiences is propelling companies to greater worthiness. For Disney to delight customers on premium-priced vacation packages, the company can't just focus on excellent rides, good food and friendly costumed characters. It has to make sure even the employees carrying out clean-up duties are sharp thinkers and sociable to boot. It has to recruit the right people to be sweepers, train them, engage them and retain them — it must be a good employer.

Consumer hunger for more than just goods and services is one of several economic factors ushering in the Worthiness Era. Others are technological change, global trade and the public's growing focus on economic security.

Ultra-Hipness at Virgin America

Virgin America airlines has lured travelers away from existing airlines largely because of its ultra-hipness, including a commitment to fuel efficiency, cabin mood lighting, sleek black-and-white seats and irreverent flight attendants. The airline, launched in 2007 and partly owned by Richard Branson's Virgin Group, reported a net profit by the third quarter of 2010, when it also saw revenue jump 28 percent year over year to $202 million.

Customers continue to patronize low-price specialists, but even discount giant Walmart has taken a page from the customer experience playbook. In 2007, Walmart de-emphasized its "Always Low Prices" motto in favor of a tagline that tries to connect bargain shopping to a more profound goal: "Save money. Live better."

The Social Imperative

In the past decade or so, people have begun disclosing aspects of their experience as never before. They are documenting their daily lives, emotions, observations and opinions through public venues such as blogs, Twitter, YouTube and Facebook. The number of active Facebook users, for example, jumped from 12 million in late 2006 to more than 500 million in early 2011. Half of those users log on to the site on any given day.

Much of the self-expression spills over into people's experiences as workers, consumers and investors. Facebook has page after page devoted to businesses, some of which are created by employees and consumers.

Publication of the Personal

This growing publication of the personal is fueled and made forceful by emerging social media technologies. Blogging sites like LiveJournal.com and social networking sites like Facebook make it easy for people to start online journals and discussion groups, contributing either named or anonymous entries. And the interactive, viral nature of these Web 2.0 tools — where people can comment on postings and pass links to the content to their network of friends and contacts — helps explain why an anonymous lament about working conditions at Electronic Arts elicited more than 2,000 comments.

Related to the upsurge in public autobiography is a rise in online involvement more generally. Through the Internet, many people are becoming more participatory as consumers, citizens, investors and employees. They are joining conversations about the strengths and weaknesses of products and services, stocks and employers.

Time magazine captured the emergence of "user-generated content" and the democratization of media by naming its 2006 person of the year "You."

'Real People. Real Reviews.'

Yelp depends on people submitting unpaid assessments of local businesses. With a motto of "Real People. Real Reviews," the site has generated more than 15 million reviews since it was founded in 2004. And Yelp is popular. More than 41 million people visited it during a single month in 2010.

In this world, individuals have the power to call attention to business successes and shortcomings as never before. And they are. They are using the site Glassdoor.com to assess employers. They are praising and panning stocks at Yahoo Finance. They are tapping Yelp to post reviews of restaurants, pet services and dentists.

The Political Imperative

Computer chip maker Intel, famous for its "Intel inside" motto, got dinged from the outside in 2009. Outside the marketplace, that is.

European regulators slapped Intel with a record-large fine of $1.45 billion for abusing its dominant position in the market for chips. After a lengthy probe of the market for chips known as x86 central processing units, the European Commission concluded that Intel engaged in illegal anticompetitive practices, such as making direct payments to a major retailer on condition it stock only computers with Intel x86 chips.

"Intel has harmed millions of European consumers by deliberately acting to keep competitors out of the market for computer chips for many years," said European Commissioner for Competition Neelie Kroes. "Such a serious and sustained violation of the EU's antitrust rules cannot be tolerated."

Kroes' indignant tone is telling. The antitrust penalty her organization levied on Intel is part of a pendulum swing back toward greater regulation of businesses by governments around the world. That regulatory push is among several political factors forcing companies in the direction of greater goodness.

Regulation Rising

In the United Kingdom, sweeping legislation known as "the Equality Bill" began to take effect in 2010. Among other things, the measure gives additional power to employment tribunals and protects employees who discuss their pay to uncover discrimination, even if their employment contract bars them from talking about their pay. What's more, in late 2008, Britain's Equality and

Human Rights Commission announced it would probe the financial services and construction industries because of inequality in pay or ethnic minority representation in the work force.

The U.S. push toward more regulation began in earnest when Barack Obama took office in early 2009. One of his first actions as president was to sign into law a measure that makes it easier for workers to sue employers for pay discrimination. His administration declared that greenhouse gases are hazardous to public health and welfare, opening the door to tighter emission controls and regulations under the Clean Air Act. The U.S. Congress passed major pieces of legislation to overhaul the healthcare system and increase oversight of the financial services industry. And Obama's 2011 budget called for $25 million to crack down on the problem of employers misclassifying employees as independent contractors.

PART II: EVIDENCE AND RANKINGS

A growing body of evidence shows that companies can do well by doing good. But that's only part of the story in the world taking shape. The individual trends outlined in Part I — when taken together — indicate that goodness is rapidly becoming necessary to doing well.

What's more, the convergence of the trends we've identified calls for a comprehensive response. Many companies during the past decade have launched disparate initiatives, such as becoming an employer of choice, reducing carbon footprints and beefing up compliance efforts. But firms that aim to succeed in sustainable ways must move to become good companies through and through.

Doing Well by Doing Good

The stock market — despite all of its wild swings and, at times, seeming irrationality — provides one of the best available lenses for understanding the payoff that good companies enjoy over an extended period of time. To be sure, the performance of any given stock can be erratic, as can the performance of the entire market at any point in time. But over the long haul, the performance of "good companies" (relative to the market) has a great deal to teach us.

Fortune magazine's annual list of the best companies to work for provides one of the best available methods for looking at how being a good employer relates to subsequent performance in the stock market. From 1998 to 2009 the average annual return on a portfolio of the (publicly traded) companies on this list was 10.3 percent, compared to an annual average return for the S&P 500 (the standard U.S. benchmark) of 3.0 percent. Even after controlling for company characteristics, the companies on this list outperformed risk-adjusted industry benchmarks. They also exhibited significantly more positive earnings surprises — occasions when their quarterly earnings surpassed what analysts predicted they would be — than their industry benchmarks.

While this evidence does not necessarily prove that being a good employer causes these results, the findings strongly suggest that companies can do well by doing good as employers.

Sustainability Spelled Stock Success

Sustainability also spelled success in the stock market during the recent financial crisis, according to a study by consulting firm A.T. Kearney. Although the study covered a relatively short time frame of six months, the findings were telling. A.T. Kearney discovered that in 16 of 18 industries studied, companies committed to sustainability outperformed industry averages by 15 percent from May through November 2008.

Ranking Companies' Goodness

More and more, people are demanding that the companies in their lives be "good company." The convergence of economic, social and political forces put us at the dawn of a new economic era in which genuine, broad-based worthiness is no longer an added bonus, but a necessity. Some of the world's largest companies are in the vanguard, pointing the way and serving as examples for others to follow. Many others, however, are laggards, apparently oblivious to these forces — and to the fact that ignoring them imperils their existence, their employees' livelihoods and their shareholders' investments.

The Good Company Index

In our framework, being a good company is based on how a company acts in three different arenas: as an employer, as a seller, and as a steward of its community, the environment and society overall. In order to (1) identify which organizations are already behaving as good companies, (2) identify which ones have a long way to go and (3) track progress in the years ahead, we sought to create an objective system of ranking companies' actions in these areas. We explored multiple sources of information to feed into this ranking system, seeking data that ideally had all of the following characteristics:

- Reflective of our concepts of good

employer/seller/steward
- Reliable and of high quality
- Available for a large number of companies
- Timely
- Publicly available

In sum, we consider this first-ever Good Company Index to be an important step in the right direction. In the years ahead, we expect to both improve and update these rankings, including expanding them to a larger range of companies.

PART III: GOOD EMPLOYER, GOOD SELLER, GOOD STEWARD

A "value-creating organization" might sound like a corporate motto more appealing to CEOs or shareholders than to employees. But the truth is that great places to work also have to be places that create value for customers and other stakeholders, including owners who expect a good return on their investment. Only those organizations are capable of a long-term commitment to their employees, providing job security and opportunities for development and advancement. It can be a self-reinforcing cycle because organizations committed to employees typically bring out the best in their workers — who in turn create value.

In other words, chief among the ingredients for a value-creating organization is a long-term commitment to employees.

An organization with a long-term commitment to its employees is one where employees:

- Are rewarded for developing skills needed to meet the organization's business goals
- Are provided with opportunities for advancement
- Receive recognition for their accomplishments
- Feel secure in their jobs

Job Security

It is this last point — job security — that has been among the most contentious in recent decades. Globalization and changes in technology have rendered lifetime job security a quaint relic of the past. As the pendulum has swung, some employers have gone too far in the opposite direction and shed workers at the first sign of trouble (or even before it). This, too, is not sustainable. A tendency toward hair-trigger layoffs is one of the manifestations of an excessive focus on short-termism. And, not surprisingly, it has long-term, negative consequences. It is a form of unworthiness.

Worthy employers — employers that are committed to their employees — get this. HCL Technologies, an India-based technology company with an "Employees First, Customers Second" ethos, announced a no-layoffs policy in the midst of the Great Recession. What's more, in recent years HCL has increased employees' income security by reducing the percentage of compensation that is variable (based on bonuses). HCL appears to have been handsomely rewarded for its foresight, enjoying significant growth during the downturn and gaining market share against rival Infosys Technologies. That's what happens when employees reciprocate their employer's commitment and give the gift of their discretionary effort.

Other elements are necessary to complement commitment to employees in developing and maintaining a value-creating organization. These fall into three categories: leadership, work environment and learning.

Reams and reams have been written about leadership. It all boils down to what leaders say and what they do — their communication and their behavior.

The work environment is more complex. It consists of multiple components, including hiring practices, job design, work processes, conditions, accountability and compensation practices.

Much has also been written about an organization's ability to learn. This too can be winnowed down to two components — formal means for fostering learning and informal means for doing so.

The Good Seller

From its origins as a shipper of valuables in the 1850s to its charge card with the famous tag line, "Don't leave home without it," American Express has had a long legacy of strong service. But the company left the 20th century without it. AmEx hovered in the 50th percentile for service quality during the years 1999 to 2004, according to research firm wRatings.

Like many companies, American Express was focused on cost containment. The priority was reducing time on the phone with customers. American Express' nod to service came primarily in the form of a checklist for such behaviors as saying the customer's name three times during a call and avoiding 10 seconds of awkward dead time on the phone.

This not only led to a stiff experience for customers but also robbed employees of the autonomy that helps make for meaningful work. Annual turnover in its service centers, although not as high as the 100 percent annual turnover sometimes experienced in the call-center field, was nonetheless in the double digits.

To their credit, executives at American Express saw the service slide as a serious problem. Jim Bush took over the company's service organization for the United States in 2005, where he began a push to upgrade customer satisfaction partly by upgrading the employee experience.

Instead of ending calls as quickly as possible, AmEx call center agents now seek to deepen relationships with customers by providing relevant information and asking about their use of the card. This might sound like the irritating "upselling" consumers frequently face, but under the new American Express program, dubbed Relationship Care, agents typically aren't selling anything new. Rather, they try to help customers understand all the features of their card so they will use it more.

The service surge is paying off. American Express' wRatings scores on service quality dipped in the first several years of the initiative but spiked to the 97th percentile in 2009.

American Express embodies key features of good sellers. Good sellers offer safe products, communicate honestly and seek reciprocal relationships. The win-win scenario of American Express customers taking greater advantage of card features — thereby spending money that translates into transaction fee revenue for the company — falls into this latter category. Good sellers also show restraint, avoiding practices like aggressive upselling.

The Good Steward

Seventh Generation is among the most environmentally responsible companies in the world today. But leaders of the household and personal care products company will be the first to tell you they aren't perfect.

They did just that in their 2008 Corporate Consciousness Report. "We are still working to replace the remaining synthetic ingredients in our products and to eliminate the contaminant 1,4-dioxane from our cleaning products," co-founder Jeffrey Hollender wrote.

A likely carcinogen, 1,4-dioxane can form in cleaning products when modifying natural oils with the petrochemical ethylene oxide and sulfur trioxide. Both Seventh Generation's fabric softener and its soap dish liquid tested positive for 1,4-dioxane, the company said in the report.

Despite this admitted black eye, Seventh Generation's track record has been a bright shade of green. Among numerous environmental awards, it was ranked as the best company on the planet by Better World Shopping Guide, a buying resource for ethically minded consumers. And Seventh Generation's actions back up this honor. For example, in 2008, the company upgraded its product-testing regime, which led it to discover phthalates in its automatic dishwasher gel with a synthetic green apple scent. Although the particular phthalate found — DEP — is not a suspected carcinogen or endocrine disruptor, other phthalates have been found to be probable or possible health hazards. The company discontinued use of the green apple scent, replacing it with a natural grapefruit fragrance.

The firm, founded in the late 1980s, has also taken steps to reduce its carbon footprint. It estimates that a plan to decentralize manufacturing and distribution operations would cut delivery miles to retailers by 48 percent.

It's all in line with Seventh Generation's deep commitment to environmental and social responsibility. The company's very name refers to the Iroquois concept that decisions today should account for their effect on the next seven generations.

Communicate Honestly with the Public

Seventh Generation embodies many key features of a good steward. To start with, it communicates honestly with the public and other stakeholders about its effects on people and the planet. And its warts-and-all candor about challenges in making effective cleaning products that are environmentally sound — in contrast to many glossy, annual reports that only tout a company's greenest side — captures the kind of transparency that is increasingly necessary.

Seventh Generation also takes care of communities and the environment. This includes philanthropic giving, work to limit the environmental damage of its operations and products, and efforts to educate the public on eco-friendly habits, such as washing clothes in cold water.

Beyond all this, Seventh Generation demonstrates another vital trait of good stewards — a degree of restraint. In particular, the company embraces the precautionary principle, which presumes a chemical may cause harm unless tested and shown otherwise. After all, DEP has not been shown to carry health risks like its chemical relatives. Still, the company is erring on the side of caution.

PART IV: THE FUTURE

The ability to move fast, companies are learning, involves both weight and strength. And strength has to do with beefing up rather than breaking down connections with workers, suppliers and customers. To be sure, companies can grow fat and bureaucratic. Some streamlining of workers and processes may be needed. But quickness also has to do with reciprocity and trust. As consultant Stephen M.R. Covey has pointed out, lower trust taxes a firm through lower speed and higher cost. And a growing field of research is highlighting the power of the *connected enterprise* — meaning companies with active, decentralized networks of communication and healthy relationships within their walls as well as with external parties such as suppliers and customers.

Companies have started to move toward greater connectivity and stronger ties. HR outsourcing deals focus more on creating partnerships with frequent interaction between company and service provider. In general, businesses have moved toward selecting preferred vendors with whom they have deeper relationships. Those bonds, in turn, offer greater odds that final products will be safe and environmentally sound. And after years of trying to minimize customer service costs through skimpy staffing levels, outsourcing or a focus on minimizing time on the phone, companies like Home Depot and American Express are investing in thicker ties with customers — which can lead not only to heightened loyalty but also better real-time feedback.

A Hope*fully* Idealistic Vision

The Great Recession could have crushed the momentum toward better corporate behavior. Consumers, workers and investors could have concentrated strictly on selfish needs like low prices and high returns. But they didn't. People continued to seek out good companies. It's worth repeating findings from Edelman's 2009 study of 6,000 consumers globally. Fully 61 percent bought a brand that supports a good cause even if it wasn't the cheapest brand, and 64 percent said they would recommend a brand that supports a good cause, up from 52 percent only a year before.

This new economics of purposeful profit is unlikely to dissipate with a recovery. It will be easier, rather than harder, for people to buy, take jobs and make investments based on their principles. Indeed, in 2010, 70 percent of global consumers said that a company with fair prices that gives back is more likely to get their business than a company that offers deep discounts and doesn't give back.

Technology-Enabled Transparency

The participatory culture of disclosure is unlikely to ebb anytime soon. If anything, it seems to be expanding into the massive Chinese working class. Consider the way Chinese workers at a Honda plant used cell phone text messages and the Internet to organize strikes for higher wages in mid-2010. The workers in Zhongshan uploaded video of security guards roughing up employees and urged co-workers to resist factory bosses.

It turns out those workers were inspired in part from an earlier protest in another Honda factory in Foshan, China, where workers used Internet forums to organize.

The Honda strikes are part of a broader shift in China, where younger workers are standing together and standing up for themselves in ways older Chinese workers didn't. Listen to Lan Yimin, a 22-year-old migrant worker in the Pearl River Delta. "The young generation has a wider social circle," she told the *China Post*. "We talk more about factory conditions and we know more about our legal rights."

This is the world that is emerging. One that is fundamentally a more connected one. Where people are, in effect, keeping each other company like never before.

Bad companies won't be invited into the new world that is taking shape. They will wither. Good companies, though, will find themselves welcome and they will flourish.

Rising Shareholder Activism

Taken as a whole, shareholder activism is on the rise. Consider a study of activism trends from 2006 to 2008 that examined SC 13D disclosures. This type of U.S. Securities and Exchange filing applies to persons and institutions that take a 5 percent or greater stake in companies and reserve the right to influence management. The study by research firm Audit Analytics found that such activist shareholders expressed concern over share price five times more in 2008 and 2007 than they did in 2006.

RECOMMENDED READING LIST

If you liked *Good Company*, you'll also like:

1. ***Spark* by Frank Koller.** Lincoln Electric has fulfilled its unique promise of "guaranteed continuous employment." Koller tells the story of how this unusual and profitable company challenges conventional wisdom.
2. ***Enchantment* by Guy Kawasaki.** This book explains all the tactics you need to prepare and launch an enchantment campaign,to get the most from both push and pull technologies, and to enchant your customers.
3. ***Beyond Performance* by Scott Keller and Colin Price.** Learn everything you need to build an organization that can execute in the short term and has the vitality to prosper over the long term.