

A FRESH PAIR OF EYES

Weekly Business Edition – 4/13/2014

SEAN STEIN SMITH - MBA, CPA, CMA, CGMA

Stockholder vs. Stakeholder

Most weeks, the stories and issues we discuss in blog posts, the podcast, and this weekly business edition are issues that pertain to stockholders of corporations. Market headlines, dividend payouts, nationalizations, and business news overall have the tendency to focus on the bottom line impact that these events have, i.e., how these news stories impact the owners of the corporation – the shareholders.

Recently, and particularly in light of the growing number of corporate scandals that have touched virtually every major industry, there has been a significant push back against “shareholder only” reporting, and a greater emphasis placed on stakeholder engagement. This makes ethical, as well as business sense. Stakeholders, from NGOs and environmental groups, to regulators and employees, all play critical roles in an organization's success or failure.

Here the link to my weekly podcast - The Weekly Business Roundup

[Weekly Business Roundup 4/12/2014](#)



Contact - A Fresh Pair of Eyes

Feel free to reach out with your comments/suggestions or questions.

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INVESTING TIP/DEFINITION

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Bringing it all together

Businesses and corporations in general are often accused of being focused solely on maximizing profit for shareholders, and while this is a strict interpretation of the economic theory underlying the formation of corporations of both Adam Smith and Milton Friedman (legends in the economic field), that view is beginning to evolve. Non-traditional metrics of corporate profitability and success, such as talent management, reduction in carbon footprint, and improvements in corporate governance processes have begun to take place alongside more familiar measures such as net income and earnings-per-share.

This non-traditional reporting, and the acknowledgment that there are other users of financial information besides stockholders, is an evolution known as stakeholder theory. This theory argues that, in order to generate maximum returns and wealth for all stakeholders, all stakeholders needs to have the information necessary to make well-informed decisions. Stakeholders can include both internal and external parties, political concerns, regulators, and business partners – it is essential that a business has excellent working relationships and a free flow of timely information between itself and all of the people, organizations, and institutions that the business interacts with on a daily basis.

What do you think about stakeholder theory?

As always, it is essential to not only watch the market headlines, but to also understand the stories that drive the headlines.

Wealth Maximization

The corporation, or any business entity for that matter, is a vehicle for wealth creation and maximization. That is the overall mission and purpose of the corporation, but that does not mean that the organization cannot address other stakeholder concerns. This issue, the ability of the organization to successfully address other stakeholders, is becoming more and more important.

A Fresh Pair of Eyes Definition

Stakeholder Theory – the idea and theory that a business organization is responsible to providing returns, value, and information to all stakeholders involved in the business process, not just shareholders.

Non-traditional reporting

Non-traditional reporting has exploded in both importance and volume during the last decade. Spurred by financial crises, corporate malfeasance, and other negative headlines, other stakeholders and business partners have begun to demand more information from business regarding financial and operational performance. This trend has the potential to reshape the entire reporting profession.

What do you think?

Let us know what you think, and it might become the topic of a blog post or follow up newsletter article.

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THE WEEK AHEAD

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It is always good to recap and to analyze what happened during the past week, which is what I strive to do via the weekly roundup podcast (link to it is above). In addition to analyzing what did happen, it is equally important to look forward to try to anticipate how the upcoming events of the week ahead could impact you and your money. That is the point of this column, which is broken down into domestic events, as well as the international events that could be of importance to your investments.

Budget Tip – Power Down

It seems like just yesterday there were recurring news stories of the polar vortex descending from Canada and embracing large swaths of the country, including the Deep South, in its icy grip. Fuel oil, and the cost of electricity to run portable heaters, were mainstays of economic conversation. With the summer fast approaching, however, this conversation is poised to return. Maintaining your HVAC, switching to more energy efficient light bulb, and planting shade bushes over AC units are a few budget friendly ways to reduce your power consumption.

Excel Tip – Excel Shortcuts

Excel is a wonderful tool, but it can appear bland to some people's eye, and this might include your boss, co-workers, or clients. Here are a few ways to professionally spice up your file:

- 1) Use some color and highlights
- 2) Choose a clear, easily readable font such as Arial or Times New Roman
- 3) Center your titles and headings
- 4) Take advantage of the graph function
- 5) Leave some cells empty to avoid a cramped look

What do you think?

Let me know if these tips were helpful

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Domestic

Let us start our discussion with the news and economic activity that are on the agenda for the U.S. this week.

The most headline-generating news stories of this week, which unfolded later in the week, are the decline in technology stocks and the so-called "Heartbleed" weakness in many internet security protocols. Many technology firms, buoyed by growing market interest in technology and social media, have run up in price during the last several weeks.

Recently, however, and exacerbated this week by the Heartbleed security issue, many of the largest technology firms have suffered steep declines in market value. The continued fallout from both the marketplace decline in technology stocks, as well as the repercussions from this additional security breach, will undoubtedly continue to dominate market news and potentially impact a wide range of industries.

As always, it is essential to not only watch the market headlines, but to also understand the stories that drive the headlines.

Of course, there will be corporate news announced during the week as well, so keep your eyes open and check out the blog @ <http://ssteinsmith.com/> for daily analysis!

International

An oil leak that has been attributed to a subsidiary of China National Petroleum Corporation has impacted the water supply of approximately 2.4 million people in the Northwestern province of the country. This is yet another indicator of how closely intertwined the business environment is with the natural environment. As pressures increase from various stakeholder groups to provide more comprehensive financial information, events like this are going to become of greater importance moving forward.



THE WEEKLY EDITION

Feedback is Always Welcome!

Feedback is the key to continuous improvement, so if there are any topics, themes, or stories you would like covered in the weekly newsletter, or if there is something you wish to know more about, please send an email to afreshpairefeyes88@gmail.com.

Thanks again for reading!

Sean

A Fresh Pair of Eyes

**Making Sense of Finance and
Accounting**

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If you like the newsletter, you might also enjoy the book. "A Fresh Pair of Eyes - Finance for the Young Investor" is available on both Amazon and in the Kindle Store.

A Fresh Pair of Eyes - Finance for the Young Investor

Personal Financial Planning

A Fresh Pair of Eyes - Personal Financial Planning

And my new book - Stocks

A Fresh Pair of Eyes - Stocks for the Young Investor

