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Resolved: Corporations should serve the interest of all stakeholders, not simply shareholders.

A Good Year for Stakeholder Capitalism

The Wall Street Journal, Aug. 18, 2020, By Joshua Bolten

Business Roundtable CEOs are living up to their commitments.

It's been a year since 181 CEOs of America's largest companies overturned a 22-year-old policy statement that defined a corporation's principal purpose as maximizing shareholder return. In its place, Business Roundtable adopted a new Statement on the Purpose of a Corporation declaring that companies should not only serve their shareholders but also deliver value to their customers, invest in employees, deal fairly with suppliers, and support the communities in which they operate.

The CEOs who signed the new statement believe it better reflects their conviction that businesses can't flourish over the long term or appropriately reward their shareholders without investing in the stakeholders who make success possible.

Companies have held to their commitments. Even before Covid-19 hit, many Roundtable companies were making substantial investments in worker training, better wages and benefits, and support for struggling communities. They called for increases in the federal minimum wage and paid family medical leave.

Responding to the pandemic, companies delivered bonuses and raises to frontline workers. Several retooled operations to fill medical-supply shortages. Many are giving generously to support their communities. Others are at the forefront of efforts to develop a vaccine. CEOs have also pressed policy makers to assist individuals and small businesses hit by the crisis. In recent weeks, CEOs have made new commitments to promote racial equality and diversity in their own companies.

These actions should reassure those who were skeptical about the seriousness of the Roundtable's commitment. On the other side, the statement attracted sharp criticism from defenders of "shareholder primacy," who argue that corporations are ill-equipped to solve social problems and shouldn't try.

We agree that business shouldn't usurp government's proper role. Companies can, however, do their part by investing in their employees, customers, suppliers and communities. Far from undermining shareholders or capitalism, the many actions major corporations are taking to support all stakeholders will pay dividends, especially as the American economy battles to grow again.

One group of critics are unlikely to be comforted: investors whose business model depends on quick spikes in share value. These short-term shareholders are a malignant influence on American business—for example, by pressuring companies to forego investments in plants, equipment, research and workforce to meet quarterly financial targets.

Short-term-shareholder capitalism has also had a malignant influence on our politics—undermining public confidence in the free-market system and fueling support for politicians who oppose it. If workers are told that their interests are irrelevant and they're employed solely to boost short-term share prices, why would they support capitalism?

Business Roundtable CEOs reject this quick-hit, short-term capitalism. They agree with many of the nation's largest investors that the health of both companies and capitalism depends on investments in all stakeholders.

Even before the pandemic and economic downturn, too many Americans were struggling with financial insecurity. Now millions of them, along with businesses of all sizes, are fighting to stay afloat. The work of leading enterprises that benefit all stakeholders—and therefore prosper over the long term—is ever more important.

Mr. Bolten is president and CEO of Business Roundtable.

The Business Roundtable's Recipe for Confusion

The Wall Street Journal, Sept. 17, 2019, By Richard J. Shinder

When companies try to do the government's job, inefficiency and uncertainty result.

The Business Roundtable released a statement last month, signed by 181 CEOs, with the stated goal of "modernizing its principles on the role of a corporation." The organization has issued various pronouncements for more than 40 years, all

of which have endorsed maximizing shareholder value as the primary objective of a for-profit corporate enterprise. Those days are gone. “While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders,” the statement reads. The Roundtable defines “stakeholders” as “customers, employees, suppliers, communities and shareholders.” Notice who comes last.

In elevating the concerns of other stakeholders above those of shareholders, the Business Roundtable has made an unfortunate mistake—one that will prove costly. No one can serve two masters.

In a modern industrial economy, commerce at scale is largely conducted through corporate entities, which shield shareholders from liability for company actions. The rise of increasingly large, operationally complex corporations allowed businesses to raise money more efficiently through capital markets and internalize components of their value and supply chains. This led, in turn, to further growth. As companies became larger and more complex, founders and owners enlisted professional managers to operate them.

Finance theory has long noted the existence of the “agency problem”: The objectives of managers and owners are not always aligned. The agency problem is exacerbated by the problem of asymmetric information. The CEO typically knows more about what’s going on in the business than shareholders do. Even the most engaged board of directors can provide only so much oversight. In recognition of these challenges, standards of corporate governance evolved toward a clear charge for managers: Maximizing shareholder value is your sole concern.

This laserlike focus on shareholder value doesn’t eliminate the agency problem entirely, but it makes clear to managers that their only objective is to deliver a return for the owners of the enterprise of which they are stewards. The scorecard is relatively simple. Is the company profitable? Are its profits increasing? Is the share price going up? Are new customers being obtained on a profitable basis? If the answer to these questions is yes, everyone can rest assured that the people running the business are in sync with the people who own the business.

The Business Roundtable must no longer see the benefit of this arrangement. In addition to “generating long-term value for shareholders,” the organization’s statement offers four new objectives for corporations: delivering value to customers, investing in employees, dealing fairly and ethically with suppliers, and supporting the communities in which they work. While all are worthy objectives, they are either derivative of the objective to maximize shareholder value or a distraction from it. Either way, things aren’t likely to end well for any business that opts to please stakeholders over shareholders.

A management team that doesn’t focus on and care for its customers, employees, suppliers and communities won’t be able to sustain a profit for long. And a company that sets aside profitability and focuses only on the Roundtable’s new objectives risks putting those objectives in conflict with one another. For a company in crisis, are suppliers more important than customers? Is community degradation a price worth paying for creating high-wage jobs? Companies facing these questions will be forced to make trade-offs that could ultimately cause them to go out of business.

Limiting themselves to a single question—Is what we do creating value for shareholders?—has the benefit of clarity. When businesses add social objectives to their missions, they muddy the distinction between the private and public spheres. Individuals and companies pay taxes to governments to fund collective action on issues that are in the common interest.

People with altruistic motives can (and should) contribute their time and resources to charity, but that is (and should be) an individual choice. To have such choices made for shareholders by agents acting at a corporate level—and using investors’ capital—invites myriad opportunities for abuse, resource misallocation, malfeasance and inefficiency.

As a capital budgeting exercise, is a $1 million charitable contribution more wisely spent than an investment in plant and equipment? What of corporations with attractive products and profitability that hold strongly partisan notions about what it means to “support the community?” JP Morgan, Nike and Gillette have all found themselves in the spotlight for charitable contributions and ad campaigns that put a seemingly greater focus on social-justice themes than either profit maximization or customer fulfillment.

In an era of high frustration with government, having private enterprise usurp public-policy functions risks further confusing society’s understanding of exactly who is supposed to do what. When people look to corporations to do what government should do—and vice versa—everyone will end up dissatisfied with all aspects of the political economy. Perhaps these CEOs’ efforts would be better dedicated to encouraging a reinvention of government, so that the tax revenue government collects from the Business Roundtable’s members might be better deployed on the citizenry’s behalf.

Private enterprise, in the form of corporations, should seek to maximize shareholder value. Elevating other objectives—even with shareholder value maximization primus inter pares—risks failing to meet any of them. Corporations should obey the law, as should individuals. Businesses should be “responsible corporate citizens.” They can even be mindful of the new objectives identified by the Business Roundtable while pursuing profits. Successful companies in the modern era have always done this. But these should be constraints, considerations and context, not the whole ballgame.

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How Shareholder Democracy Failed the People

The New York Times, Published Aug. 20, 2019, By Andrew Ross Sorkin

Shareholder democracy seemed like a good idea at the time. What we got was shareholder supremacy.

Democracy is a messy thing. Shareholder democracy may be even messier.

For nearly a half-century, corporate America has prioritized, almost maniacally, profits for its shareholders. That single-minded devotion overran nearly every other constituent, pushing aside the interests of customers, employees and communities.

That philosophy was rooted in an idea that has an air of nobility about it. Shareholder democracy was the name given to investors asserting themselves in corporate governance. The idea was that investors would wrest control of companies from entrenched managers, letting the actual owners set their corporate priorities. But what we really got was something else: an era of shareholder primacy.

That may have a chance — a chance — of changing now that 181 chief executives have lent their signatures to a new “Statement on the Purpose of a Corporation” that was published by the Business Roundtable on Monday. The statement from the leaders of companies including JPMorgan Chase, Apple, Amazon and Walmart affirms that the nation’s largest companies have a “fundamental commitment” to all their stakeholders: putting employees, suppliers and communities on a pedestal that once belonged only to shareholders.

The companies’ statement is a significant shift and a welcome one. For years, businesses have resisted calls — including from this column — to rethink their responsibility to society. In response, corporations typically dismissed hot-button topics like income inequality, climate change, gun violence and more as political issues unrelated to them.

Some will doubt the sincerity of these business leaders’ words, and it remains an open question whether their companies will be held accountable — and by whom. But what we may be at the start of is less a new era and more a return to the past.

For nearly 50 years — following the publication of a seminal academic treatise in 1932 called “The Modern Corporation and Private Property” by Adolf A. Berle Jr. and Gardiner C. Means — corporations, for the most part, were run for all stakeholders. It was a time defined by organized labor, corporate pension programs, gold-watch retirements and charitable gifts from companies that invested heavily in their communities and the kind of research that promised future growth.

It is a period often referred to — sometimes derisively — as “managerialism.”

But by the 1970s, managerialism became synonymous in investment circles with immovable executives who were running bloated businesses more for their own benefit than for their shareholders.

It also coincided with the ascent of Milton Friedman, the University of Chicago economist who preached a gospel of profits-as-purpose and mocked anyone who thought that businesses should do anything else.

“What does it mean to say that ‘business’ has responsibilities?” Mr. Friedman wrote in this newspaper in 1970. “Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.”

That began the rise of shareholder democracy, an idea that the public and news media embraced. Shareholders and, in turn, a new class of investors known as corporate raiders convinced executives to slash any and all fat from their budgets or risk being taken over or voted out. Layoffs increased, research and development budgets were cut, and pension programs were traded for 401(k)s. There was a rush of mergers driven by “cost savings” that grabbed headlines while profits soared and dividends increased.

And here we are. Americans mistrust companies to such an extent that the very idea of capitalism is now being debated on the political stage. Populism has been embraced on both ends of the political spectrum, whether in the trade protectionism of President Trump or the social-net supremacy of Senator Bernie Sanders.

It is against that backdrop that the Business Roundtable released its statement on Monday. The group should be commended for coming around — and no one wants to criticize progress — but it is undeniably late.

Make no mistake, it wasn’t shareholder democracy that created this new enlightened moment. Public outrage pushed this forward. So did anger in Washington and regulatory scrutiny that is finally coming to bear.

Shareholders — with some exceptions — did not come around until they had no choice but to realize that these forces could have an impact on their investments.

And in an echo of managerialism, there are some corporate executives who deserve credit for this change.

Larry Fink, the chairman of BlackRock, deserves to be doing laps for putting these ideas into his annual letters years ago, when some of those who signed Monday's statement laughed at the idea.

Credit should go, too, to Howard Schultz, the former chief executive of Starbucks, whose company embraced its employees as stakeholders from the beginning. And companies like Patagonia and Ben and Jerry's, which are so-called B Corporations, committed to community principles early.

The investor Paul Tudor Jones II has been talking about this for years. So has Judith F. Samuelson, an executive director at the Aspen Institute who has pressed corporate leaders to embrace a view of service to society, and told me about a dinner where she and others leaned on Jamie Dimon, the JPMorgan chief executive and chairman of the Business Roundtable, to change the group's mission statement.

And there was Prof. Klaus Schwab, who founded the World Economic Forum, drafting the Davos Manifesto of 1973: "The purpose of professional management is to serve clients, shareholders, workers and employees, as well as societies, and to harmonize the different interests of the stakeholders."

If you suspect that the Business Roundtable's statement changes little, there may be reason for skepticism. Some big companies didn't sign on, including the Blackstone Group, General Electric and Alcoa.

And the Council of Institutional Investors — which represents many of the same companies as Business Roundtable and many of the nation's largest pension funds — distributed a response that forcefully disavowed the ideas set forth in the roundtable's statement.

"Accountability to everyone means accountability to no one," the council said. "It is government, not companies, that should shoulder the responsibility of defining and addressing societal objectives with limited or no connection to long-term shareholder value."

For whatever progress may have been made Monday, it is hardly clear the debate is over. In fact, the fight for corporate identity is just beginning.

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To Serve the Public, Seek Profits

The Wall Street Journal, Oct. 11, 2020, By Andy Kessler

Producers capture only 4% of the value they create, and all of society enjoys the rest.

"It's way past time we put an end to the era of shareholder capitalism," Joe Biden declared in Dunmore, Pa., in July. Companies "have responsibility to their workers, their community, to their country." This echoes last year's virtue semaphoring by 181 CEOs, when the Business Roundtable redefined corporate purpose away from shareholders and toward "stakeholder capitalism": a collectivist creed of workers, customers, communities, climate and country. Why does it feel like we're about to get our pockets picked? The message is clear: Profits are greedy, so spread the wealth around.

It's been 50 years since the New York Times published Milton Friedman's article "The Social Responsibility of Business Is to Increase Its Profits." Most people only read the title, so they miss Friedman's statement that businesses are obliged to avoid deception and fraud. A company must "engage in activities designed to increase its profits," he writes, "so long as it stays within the rules of the game."

Almost as penance for publishing the original, the Times recently printed an eight-page supplement nitpicking Friedman's article. It's as if in 1826 the Times of London had ripped to shreds Adam Smith's "The Wealth of Nations" and said, "No one has actually seen the invisible hand. Hidden incentives? Balderdash! Let's go back to stakeholder mercantilism." The sun would have set on the Industrial Revolution.

Capitalism and competition create wealth; other systems slop existing wealth around. Stakeholder capitalism is a passing fad with a blatantly obvious end result. Ding ding!—there were four redundant phrases in that sentence. "Stakeholder capitalism" is redundant because companies already benefit stakeholders or die quickly. "Customers are always beautifully, wonderfully dissatisfied," Amazon's Jeff Bezos told Congress in July. "A constant desire to delight customers drives us to constantly invent on their behalf." And any company that wants to be around beyond next quarter already takes care of its community within the Friedmanesque rules of the game. Underpaying employees means competitors eventually lure them away.

No, profits aren't greedy. They are a critical price signal—a measure of how well a company is deploying capital and creating value for society. The stock market sums all expected future profits, funding companies with great profit prospects and starving unworthy ones. But besides owning shares in those companies, what's in it for us?

A lot. In a 2005 paper, Yale economist William Nordhaus concludes, “Only a minuscule fraction of the social returns from technological advances over the 1948-2001 period was captured by producers, indicating that most of the benefits of technological change are passed on to consumers.” This is what Friedman was saying implicitly when he called for corporations to maximize profits: It would maximize value to society at large.

Mr. Nordhaus quantified that value in a 2006 paper for the National Bureau of Economic Research: “Innovators were able to capture about 4 percent of the total social surplus from innovation.” The social surplus Mr. Nordhaus identifies is the improvements capitalism brings to common living standards. That is societal wealth. Yes, entrepreneurs and innovators generate wealth for themselves, but not as much as they do for society. If that’s not socially responsible, I don’t know what is. Mr. Nordhaus should have won his Nobel for this, but it was his work on “integrating climate change into long-run macroeconomic analysis” that caught the committee’s eye in 2018. Sigh.

The flip side is that for every dollar government removes from profitable uses through taxes or regulation, it theoretically takes 25 times that amount from compounding social wealth. Each lost dollar reduces investment and potential productivity, and instead goes to whoever public policies favor. Same for environmental, social and governance investing, where distortions diminish returns, just as federal car mileage standards and union overpay destroyed Detroit.

In terms of social value, nonprofits by definition announce their ineffectiveness compared with profit-seeking companies. Millennials especially seem to want a “social purpose” from their employer and their jobs. But the Nordhaus effect means they already have it, often in spades.

There’s no point in trying to “reimagine capitalism.” Capitalism works by creating wealth. Equality comes best through the creation of ever-cheaper goods and services, not handouts. The supercomputer in your pocket, same-day delivery, heart stents, even perfect Costa Rican bananas in your ShopRite were all generated by reinvesting profits. Other “isms” typically fail because they eventually fritter away the wealth that capitalism had furiously created.

Here’s my message to a potential Biden administration: If you want to spend my hard-earned money on social programs, be honest about it. Say “we need to help the poor temporarily with tax dollars so they can get better jobs and stand on their own.” Fine, I’m in. But the more you hide behind word salads and social-justice jibber-jabber, the less I’m interested.

Is There Real Virtue Behind the Business Roundtable’s Signaling?

The Wall Street Journal, Dec. 2, 2019, By Aneesh Raghunandan and Shiva Rajgopal

When you break out the data, ‘stakeholder capitalism’ appears to fail on its own terms.

The Business Roundtable made a big splash in August by “modernizing its principles on the role of a corporation.” No longer stressing the unique importance of maximizing shareholder value, the organization got 181 CEOs to sign a statement outlining a corporate commitment to various “stakeholders,” of which shareholders are only one, listed alongside customers, employees, suppliers and communities.

Why did they sign? We see two possibilities. Either they are genuinely committed to lead in socially conscious business practices, or they are trying to pre-empt criticism. One way to determine which explanation fits better is to compare the behavior of publicly listed signatory firms to that of public nonsignatory firms in the same industries, matched by firm size and financial performance.

The data is sobering along four dimensions:

• More violations of federal compliance. We obtained comprehensive data on compliance violations from the nonprofit group Good Jobs First. According to its violation tracker, from 2014-18 signatory firms report a higher incidence of compliance-related violations than the nonsignatory firms, reported by federal agencies such as the Environmental Protection Agency and the Occupational Safety and Health Administration. This finding holds true whether we consider all violations or only labor and environmental violations. BRT signatories are 16 percentage points more likely to commit at least one federal compliance violation in any given year. This seems inconsistent with the Business Roundtable’s explicit references to the importance of the environment and investing in employees.

• Increase in share buybacks. We used S&P’s Compustat database to assess share buybacks over the same period. Signatories have bought back a larger proportion of their shares—even as buybacks are increasingly condemned by politicians such as Sen. Bernie Sanders, who released a plan to ban them. Whether share buybacks are good or bad for the country, the elevated recent volume of buybacks by signatories cuts against the progressive current.

• Larger market shares. Compustat data reveals that Business Roundtable signatories have amassed market shares 5 percentage points higher than those of peer firms, on average, assessed based on sales. This result holds even after controlling for the level of concentration in each industry. Such market power increases the probability of regulatory scrutiny, especially when antitrust approvals for large future acquisitions are on the line. Thus Business Roundtable

signatories may have greater reason than their peers to convince regulators of their benevolence.

• Weaker association between CEO compensation and stock-return performance. We obtained executive compensation data from S&P's Execucomp database and stock-return data from the Center for Research in Security Prices. Business Roundtable signatories pay CEOs 4% more on average than peer firms but achieve lower stock returns relative to their benchmarks. A weak association between CEO pay and stock-return performance falls short of the BRT's professed goal of "returning value to shareholders."

These findings suggest that Business Roundtable signatories aren't leaders in socially conscious environmental, social or governance practices or stakeholder orientation. Instead, the average signatory is more likely to enjoy a large market share, and has an incentive to pre-empt regulatory scrutiny that might expose rent-seeking behavior.

The charitable explanation is that signatories are signaling their intent to change their ways. But there is no obvious way to test those intentions. As of now, signatories don't walk the walk. Keep a close eye on whether that changes.

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Stakeholder Capitalism

Investopedia, By DEBORAH D'SOUZA, Updated Jan 22, 2020

Stakeholder capitalism is a system in which corporations are oriented to serve the interests of all their stakeholders. Among the key stakeholders are customers, suppliers, employees, shareholders and local communities. Under this system, a company's purpose is to create long-term value and not to maximize profits and enhance shareholder value at the cost of other stakeholder groups.

Supporters of stakeholder capitalism believe that serving the interests of all stakeholders, as opposed to only shareholders, is essential to the long-term success and health of any business. Notably, they make the case for stakeholder capitalism being a sensible business decision in addition to being an ethical choice.

KEY TAKEAWAYS

- Corporations should serve the interests of all their stakeholders
- Focus is on long-term value creation, not merely enhancing shareholder value
- Was the norm in the U.S. until Milton Friedman argued that corporate executives are only beholden to owners (shareholders)
- Supporters believe it should replace shareholder primacy

The History of Stakeholder vs. Shareholder Capitalism in the U.S.

The debate about the role and responsibilities of businesses in society has produced various theories throughout history. Proponents of stakeholder capitalism, like economist Joseph Stiglitz, believe it should replace shareholder primacy as a principle of corporate governance. Shareholder primacy, or the idea that a corporation is only responsible for increasing shareholder value, was made popular by Nobel prize-winning economist Milton Friedman in the 1970s. He argued that executives work for the owners (shareholders) and the only social responsibility of a business is "to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

His writings on the theory were so influential they helped shape corporate governance laws in the U.S. This period saw executive and employee stock-based compensation explode in the country as the interests of top executives were being aligned with shareholders, who were increasingly perceived as being the most important stakeholders. There was also a rise in hostile takeovers, with corporate raiders neglecting the well-being of non-investor stakeholders. In 1997, the association Business Roundtable began endorsing principles of shareholder primacy.

The tide is shifting, however, and companies and business leaders are now calling for a return to stakeholder capitalism, which is currently prevalent in Europe and was formerly the norm, even in the U.S.

Despite the comparisons to shareholder-focused companies, investors themselves may lead the charge to institute stakeholder capitalism. Investors can try to use their shares in a company to influence its behavior, encouraging it to be more heedful of the welfare of all stakeholders. Known as shareholder advocacy, this is done through dialogue or shareholder resolutions. Alternatively, investors use negative screening to avoid companies that harm other stakeholders, which is known as socially responsible investing (SRI), or they practice impact investing by only buying shares in companies whose strategies have a positive impact on society or the environment.

Stakeholder Capitalism at the 2019 Business Roundtable

In August 2019, Business Roundtable released a new "Statement on the Purpose of a Corporation" which said all its

member companies share a fundamental commitment to all their stakeholders. “The American dream is alive, but fraying,” said Jamie Dimon, chairman and CEO of JPMorgan Chase & Co. (JPM) and chairman of Business Roundtable, in a statement. “Major employers are investing in their workers and communities because they know it is the only way to be successful over the long term. These modernized principles reflect the business community’s unwavering commitment to continue to push for an economy that serves all Americans.”

Billionaire philanthropist and Salesforce.com Inc. (CRM) co-founder Marc Benioff attributes his company's impressive financial returns to its policy of valuing all stakeholders equally:

" Capitalism, as we know, it is dead. We’re going to see a new kind of capitalism—and it won't be the Milton Friedman capitalism, that is just about making money. The new capitalism is that businesses are here to serve their shareholders, but also their stakeholders — employees, customers, public schools, homeless and the planet." — Marc Benioff, Chairman and co-CEO of Salesforce

Stakeholder Capitalism at Davos 2020

The World Economic Forum's (WEF) 50th Annual Meeting in Davos is focused on stakeholder capitalism with the central theme "Stakeholders for a Cohesive and Sustainable World."

Professor Klaus Schwab, founder and executive chairman of the WEF and a long-time supporter of stakeholder theory, said, "People are revolting against the economic ‘elites’ they believe have betrayed them, and our efforts to keep global warming limited to 1.5°C are falling dangerously short."

The WEF updated its "Davos Manifesto," a set of principles that underpin the event, for the first time in over 40 years. It now plainly states at the top, "the purpose of a company is to engage all its stakeholders in shared and sustained value creation" and says companies should have zero tolerance for corruption, uphold human rights and pay their fair share of taxes.

The organization and the Big Four accounting companies are also developing a set of universal metrics and disclosures that companies can include in their annual reports to measure their social and environmental performance. "By aligning companies with asset owner and asset managers through common, limited and meaningful metrics, we will ensure sufficient capital is available to meet the Sustainable Development Goals,” said Brian Moynihan, CEO of Bank of America and WEF International Business Council (IBC) chair.

During a panel discussion at Davos 2020, McKinsey & Company Global Managing Partner Kevin Sneader said economist Adam Smith clearly said the responsibility of the business person is to give to the community and enrich everyone. "And I think we lost our way a bit in forgetting that," he added.

"Every CEO needs to sit down and come to grips with the fact that if I don’t have teachers to teach the children of my employees, then the best employees aren’t going to come work for our company," said Cisco Chairman and CEO Chuck Robbins during the same session. "We have to ensure as businesses that we have strategies to apply our capabilities, our skill sets, our employee base, and our financial resources to actually solve these issues."

What Does It Look Like in Practice?

Stakeholder capitalism can either be an ideology adopted by leaders at individual companies or a model enforced by governments through laws and regulations. Some of the ways companies can independently demonstrate a commitment to stakeholder capitalism:

- Paying fair wages
- Reducing the CEO-worker pay ratio
- Ensuring safety in the workplace
- Lobbying for higher tax rates and avoiding tax loopholes
- Providing good customer service
- Engaging in honest marketing practices
- Investing in local communities
- Preventing environmental damage

There is no defined set of expectations of companies that make such a commitment. However, JUST Capital, an independent research nonprofit, surveyed 4,000 Americans on what issues they believe U.S. companies should prioritize most. The top priorities of corporations, according to the respondents, should be paying a fair wage, acting ethically at the leadership level, paying a living wage, providing benefits and work-life balance, providing equal opportunity and making beneficial products.

"Stakeholder capitalism is a vow to do business in service of all stakeholders, rather than just profits and returns. Shareholders are of course important, but it's vital that companies also consider workers, communities, the environment,

and more when defining success – especially because doing so has demonstrated benefits not just to society, but also the bottom line. This approach is neither status quo nor abandoning capitalism altogether. It's simply recalibrating the system to take a deeper view of business, and ensure an economy that works for all." - Paul Tudor Jones, founder of Tudor Investment Corporation and The Robin Hood Foundation, Co-Founder and Chairman of JUST Capital

According to a Stanford University study based on a survey of over 200 CEOs and CFOs of companies in the S&P 1500 Index, most executives believe they are already doing a satisfactory job of incorporating stakeholder concerns into their corporate planning and not receiving sufficient recognition. Only 50% believe their stakeholders understand what the company does to meet their needs. This figure is 33% and 10% when the question is about institutional investors and the media, respectively.

Criticism

Critics of stakeholder capitalism tend to believe corporate leaders are self-serving and would enrich themselves if allowed to control the purpose and role of companies. An emphasis on shareholders, it is believed, keeps executives adequately restricted and focused on increasing profits. This is said to ensure companies do not become stagnant or uncompetitive. Critics also argue that shareholder capitalism is the reason public companies in the U.S. have immense value versus public companies in other regions like Europe where stakeholder theory is more popular.