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## *A Good Year for Stakeholder Capitalism*

Business Roundtable CEOs are living up to their commitments.

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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.

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