

# GOOD

## **CEOs from nearly 200 companies say shareholder value is no longer their top priority**

Michelle Gant

August 20, 2019

Nearly 200 CEOs from the country's largest companies announced Monday that shareholder value is no longer their top priority, instead placing a greater focus on an "economy that serves all Americans."

In a statement on "The Purpose of a Corporation" by Business Roundtable — a group made up of more than 180 leaders from companies including Apple, Amazon, Walmart, Pepsi, and more — the executives said they share "a fundamental commitment to all of our stakeholders."

"Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all," the statement reads.

Over the last 40 years, the group has issued various documents on the principles of corporate governance, with an emphasis on serving shareholders and maximizing profits, but this new statement supersedes that notion, setting the standard for modern corporate responsibility.

"The American dream is alive, but fraying," Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co. and Chairman of Business Roundtable, said 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."

Alex Gorsky, Chairman of the Board and Chief Executive Officer of Johnson & Johnson, mirrored those sentiments, saying the statement "reflects the way corporations can and should operate."

Tricia Griffith, President and CEO of Progressive Corporation, said that the best-run companies "do more" than simply generate profit for shareholders by investing in their employees and communities and putting the customer first. "it's the most promising way to build long-term value," she added.

While the goals of the statement are admirable, critics are highly skeptical of the corporations' motives and doubtful they'll actually follow through.

In an op-ed published by Crain's Chicago Business, columnist Joe Cahill argues these "busy corporate leaders" are likely only adding these new obligations to their "already-full plates" for political reasons

"CEOs face a rising tide of public discontent over a world economic system that many consider skewed to favor multinational corporations over ordinary citizens and communities," Cahill wrote.

"They've seen that tide of resentment put Donald Trump in the White House, where he's pursued policies that threaten international trade flows essential to global companies. And they're hearing Democratic presidential contenders call for more government intervention in markets.

"Income inequality and the widening pay disparities between CEOs and average workers fan the flames, while episodes like the Boeing 737 Max tragedies and Facebook's manipulations of private information reinforce impressions that companies care only about profits," he added.

Others criticized the fact that Business Roundtable merely released a statement rather than making any real changes.

"Voluntary pledges didn't end child labor, sweatshops, 18-hour workdays, elderly penury, noxious air, poisoned rivers, toxic financial products or much besides," Anand Giridharadas, author of "Winners Take All: The Elite Charade of Changing the World," wrote on Twitter. "Why do we trust them to end an age of corporate greed and vast inequality?"

"It would be one thing if they said we're endorsing having the Delaware courts change this particular legal doctrine, or we're endorsing a bill in Congress," Walter Olson, a senior fellow at the libertarian Cato Institute, told the New York Post. "It's not really clear whether they're intending to replace any part of the system or do the same things are before, but ... smile more."

Let's hope these business leaders put their money where their mouth is.