



HOW CORPORATE LIFE CAN SHAPE COMMUNITY

BY ELEANOR BLOXHAM

In 2019, the Business Roundtable (BRT), an organization of CEOs of the United States' largest shareholder-based corporations, declared: "We share a fundamental commitment to all of our stakeholders," including "investing in our employees" and "supporting the communities in which we work."

While far from novel, this policy statement has provoked heated debate in academic and business circles alike. To understand the background, a bit of history may be helpful.

Among this country's first corporations were private colleges and universities. Harvard Corporation, chartered in 1650, "is the oldest corporation in the Western Hemisphere," according to the college's leadership and governance webpage.

In the early days of the republic, to gain status as a corporation, an organization had to request a charter from the government by justifying a beneficial purpose that provided a public service. "There was a quid pro quo," University of Chicago history professor Jonathan Levy told me in a conversation for a *Fortune* article I was writing on the state of capitalism and how corporate behavior was shaping voter views in the 2016 presidential election.

By the 1800s, however, the process changed. Rather than state legislatures

tightly controlling corporate charters, most citizens were allowed to set up a corporation as long as the organization had a lawful purpose — although this never meant a corporation was supposed to maximize profits at all cost, Levy said.

But that thinking too changed over time as many shareholder-based corporations began to make profit their god and view community responsibility as an afterthought of dollar donations supplemented by contributions of employees' time one day a year. In the late 1990s, for example, my employer (with a stated strategy "to make as much money as possible") had a group of us spend the one designated day helping restore a house in a blighted neighborhood.

But the reckoning has come related to this short-sighted attitude to community responsibility. And not just with climate change. Issues like diversity, inequality, family leave, and corporate purpose are in the spotlight.

Business leaders have taken note. Which leads us back to BRT's 2019 declaration and the question now under debate. Was the statement a serious call to action or was it really just a public relations move?

To find out, in 2021, Harvard professors Lucian Bebchuk and Roberto Tallarita studied more

than 40 shareholder proposals "submitted to BRT companies" requiring "implementation of the BRT Statement." They found all the shareholder proposals were summarily rejected by the companies. This finding in addition to others observed in the corporations' governing documents demonstrated that "the BRT Statement was mostly for show and that BRT Companies joining it did not intend or expect it to bring about any material changes in how they treat stakeholders," the scholars wrote.

Where BRT company actions have disappointed, employees are among those stepping into the breach. Google's employee union is tackling issues like sexual harassment and pay disparities — and pushing Google to focus work efforts on the public good. What they are achieving should inspire other employees to follow suit.



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