

Stakeholder Capitalism Calls for Focused Accountability



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2020's "triple threat" of a global pandemic, economic crisis and widening inequity has raised the bar on demands for corporations to play a broader role in addressing societal needs. Modern companies are increasingly asked to take account of their relationships with groups beyond their shareholders, with a focus on stakeholders such as employees, customers, communities, and partners in the supply chain and the natural world. Some corporations have heard this call. Perhaps most notably, BRT members issued their statement of corporate purpose, but some are unconvinced by this statement.

Milton Friedman's shareholder primacy article raised the concern that corporate directors and managers might merely claim to be pursuing stakeholder value as a way of camouflaging the fact that they are only pursuing their own best interests. A similar concern over agency risk was raised in an open letter from the Council of Institutional Investors, an influential group of large shareowners, released the day after the BRT's historic 2019 pledge: "Accountability to everyone means accountability to no one."

The question raised in these debates is whether corporations will genuinely be able to focus on a broader range of beneficiaries, and 2020's complex circumstances elevate this question. Can leaders be genuinely successful in seeking to serve on multiple fronts – responding to issues such as the COVID-19 pandemic and social justice and to the needs of multiple stakeholders, all in tandem?

[The Test of Corporate Purpose \(TCP\)](#) was organized to answer just this question. The GlobeScan survey results reveal that this sort of strategic multitasking, advancing on multiple fronts, is exactly what is expected of businesses today, with 85% of stakeholders disagreeing with Friedman's assertion that "the sole purpose of business is to increase profit." TCP's [research](#) reveals that only one in eight stakeholders feel companies are actually "walking the talk" in line with their lofty communications about stakeholder needs. Perhaps what is more surprising is TCP's finding that U.S. BRT signatories are viewed to have performed no better on COVID-19-related response than the average company, and little better on inequality. These companies have made a formal statement of corporate purpose to serve a broad group of stakeholders, but the stakeholders aren't seeing the evidence of that intention in real results.

The critique that stakeholder capitalism may place corporations in an impossible position of seeking to serve too many masters represents a misperception of the goals of this movement. Robert Eccles and Timothy Youmans, experts in integrated corporate reporting and materiality, are leaders of the Statement of Purpose initiative, which asserts that successful intention-setting for purposeful corporations is all about making clear choices among stakeholders – not trying to serve them all. Eccles has said that Statements of



Purpose specifically ask that “the board declare what limited number of audiences it perceives to be important.” In this sense, purposeful corporations are very clear about which stakeholders they intend to serve, and how. Corporate purpose is not about making blanket platitudes or promising the world to all parties.

2020’s “triple threat” has brought a rising call for systemic change. The reality is that public health, equality, prosperity, and many other ideals to which we aspire all depend on one another. So today, the skill of being able to understand interconnected systems and make focused choices – systems thinking – has become critical for success. This is what stakeholder capitalism and corporate purpose are all about. In essence, stakeholder capitalism merely asks business leaders to see and engage with the complex, challenging and interdependent world as it really is, and to plan accordingly.