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Five Years On: Corporate Purpose and Profit

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Monday, August 19, marks five years since Business Roundtable issued an updated Statement on the Purpose of a Corporation, which declared that companies should aim to deliver long-term value to *all* of their stakeholders — customers, employees, suppliers, the communities in which they operate, and their shareholders.

Ahead of the anniversary, the Roundtable has posted the essay below on *Medium*.



Five Years On: Corporate Purpose and Profit

Next week marks five years since Business Roundtable updated its [Statement on the Purpose of a Corporation](#), declaring that companies should aim to deliver long-term value to all of their stakeholders — customers, employees, suppliers, the communities in which they operate, and their shareholders. Five years on, we are taking stock of how Roundtable members have progressed in delivering both purpose and profit.

Background

Since Business Roundtable's founding in the 1970s, the organization has periodically issued principles of corporate governance, which have included statements on the purpose and responsibilities of corporations. In the Roundtable's early decades, those statements declared that companies should consider the needs of all of their stakeholders, including employees, customers and shareholders.

In 1997, however, the Roundtable took a different approach. Largely in response to concerns over hostile takeovers, the CEOs adopted a statement declaring that a corporation's "paramount duty" is to its stockholders and that the interests of employees and other stakeholders are relevant only "as a derivative of the duty to stockholders."

For years, critics cited this language as evidence that modern corporations care only about their shareholders. They argued that CEOs had abandoned the Roundtable's long-held view that companies also need to value the interests of other stakeholders. In their estimation, companies that once valued their employees and put the customer first were instead prioritizing the interests of short-term hedge fund investors.

In the years after the financial crisis, the debate around the responsibilities of corporations to their workers and other stakeholders took on added importance as many Americans grew concerned about struggling communities around the country and about declining economic mobility for many workers. The Roundtable CEOs, who believed strongly that the economy needs to work for everyone, examined the role of corporations in advancing broader economic opportunity for Americans.

Following lengthy discussion, in 2019, the CEOs agreed that the 1997 statement lent itself to misinterpretation and did not clearly reflect the way they aspire to run their companies. They concluded that the statement should reflect their consensus that the best run companies are focused on producing good products and services, providing fair compensation and excellent training to employees, creating mutually beneficial partnerships with suppliers, and taking care of the communities where they do business. In the long term, the interests of a company's stakeholders are inseparable. No single stakeholder will succeed unless they all do.

The statement adopted by Business Roundtable in August 2019 reflected this conviction. It was not a call on companies to address every societal challenge, but rather to focus on those who contribute directly to a company's success. It was the view of Roundtable CEOs that this would make companies more successful in the long run, while advancing broader economic opportunity.

“ While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. **We commit to:**

- **Delivering value to our customers.** We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- **Investing in our employees.** This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- **Dealing fairly and ethically with our suppliers.** We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- **Supporting the communities in which we work.** We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- **Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate.** We are committed to transparency and effective engagement with shareholders.

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Since 2019

Countless undertakings by America’s most successful companies demonstrate that a company’s commitment to stakeholders and to profit go hand in hand. Business Roundtable member companies have been engines of prosperity, growth and economic opportunity — collectively supporting one in four American jobs and almost a quarter of U.S. GDP.

From 2018 to 2022, more than 7 million Americans entered the middle class through employment at America’s leading companies. Tens of thousands of small businesses grew in part because of partnerships with Roundtable member companies, amounting to tens of billions in revenue for small businesses every year.

These gains for American workers and suppliers have been aided largely by the innovative approaches that financially successful companies are taking to invest in their workers, suppliers and communities.

Launched in 2022, PepsiCo’s myEducation platform has empowered over 26,000 U.S. employees, many of them frontline associates, with tuition-free access to upskilling bootcamps, degree programs, digital literacy courses and other learning opportunities from more than 25 schools and universities. PepsiCo employees complete 3.7 million online courses annually, with participants twice as likely to be promoted and stay with the organization.

Grow with Google has helped over 11 million Americans gain digital skills and more than 250,000 Americans secure a new job and increase their income. Today, the company partners with more than 9,000 organizations across the country to provide more Americans with access to Grow with Google resources.

Cisco Networking Academy, one of the world’s longest running skills-to-jobs programs, has trained more than 2 million U.S. students in areas such as cybersecurity, networking, programming, Internet of Things and more — with 93% of students taking a Cisco certification-aligned course obtaining a new job, educational opportunity or both.

Through its free education resources and programming, including Everyone Can Code, Everyone Can Create and its Community Education Initiative, Apple has impacted millions of people in the U.S. and around the world.

JPMorganChase has invested in bridging the local skills gaps by training people for in-demand jobs. For example, investments in Detroit's workforce development infrastructure helped the firm hire virtual customer service specialists for a program that has outperformed many of its traditional call centers around the world. The firm has expanded this virtual program to Baltimore, and is considering further expansion.

In 2021, Walmart initiated a \$350 billion investment in products that are made, grown or assembled in the U.S., with the aim of bolstering domestic manufacturing. This move is anticipated to support the creation of over 750,000 U.S. jobs. To further this commitment, Walmart holds its annual Open Call event, which provides an opportunity for entrepreneurs to meet face to face with merchants and potentially get their shelf-ready, innovative products in the hands of millions of their customers. Two-thirds of everything Walmart sells to U.S. customers is made, assembled or grown in the U.S.

There are many more examples of Business Roundtable member companies investing in their stakeholders, including through the Roundtable's [Corporate Initiatives](#). In each case, Roundtable member companies have in important ways supported their employees and customers, served as good partners to their suppliers, enhanced their communities, and thereby increased value for their long-term shareholders.

When the Business Roundtable statement was announced in 2019, *Fortune* ran a headline, "Profits and Purpose: Can Big Business Have it Both Ways?" The answer is yes — companies can and must.