

The CEO of the Business Roundtable on the Statement of the Purpose of the Corporation

By Directors and Boards

Josh Bolten talks about the impact of the statement's update a year later.

Directors & Boards' Character of the Corporation forum closed with a keynote interview with Josh Bolten, CEO of the Business Roundtable.

A little over one year ago, The Business Roundtable updated its “Statement on the Purpose of the Corporation,” which called on corporations to not only serve shareholders, but also stakeholders inside and outside of the company. Bolten reflected on how that statement has impacted corporate America since its release.

Byron Loflin, global head of board engagement for Nasdaq, conducted the interview.

This content has been edited for clarity and length.

Byron Loflin: Here we are, a little over a year into the Business Roundtable announcement on purpose. What are your observations on the work that you've done since the announcement a year and a few months ago?

Josh Bolten: I'm very proud of the Roundtable's statement of corporate purpose. The Business Roundtable had long maintained a statement on the purpose of a corporation. But that statement had been unchanged since the mid '90s. We decided over the course of well over a year that that statement no longer reflected the reality of the way CEOs and boards were seeing corporate mission and that we needed to update it. In August of 2019, we put out a new statement that said that the purpose of a corporation is to promote all of its stakeholders: its customers, employees, suppliers, communities and shareholders. I emphasize shareholders here because this gets dropped sometimes in commentary on the statement.

I'm proud of the statement in several respects. One is the spirit and principles that underlie it. The second is that it gives the public a more accurate reflection of what we think CEOs are doing every day — the important work that our

companies are doing to support all of the company's stakeholders. A majority of the American public believes corporations are run solely for profit, for the already rich people who own the shares in the corporation. I'm proud of our work to correct that misimpression. Finally, I'm proud of it because it's sparked something of a debate about the role of the corporation in our society. Some of the debate, I think, mischaracterizes what our statement of corporate purpose is all about, but I'm really glad we're having the debate. I think it's good for our collective corporate governance and it's good for society that we're having this debate.

BL: A year later, have there been any significant or tangible changes in terms of the statement or have you had any updates, any new reflections?

JB: It's interesting that you ask, because it's been such a significant and disruptive year. For most of the time since the statement was released, we've had the pandemic. When the pandemic first hit, I did a bunch of interviews on the topics of: "What does the business community see? What does it want from government policy?" Almost inevitably business reporters who are familiar with our corporate purpose statement said something like, "Well, now that the pandemic has hit and the economy is in dire straits, I suppose that means you're going to have to take a pause in living up to the Statement of Corporate Purpose, because everybody's got to focus on their profitability." My reaction at the time, borne out now by experience, was that this kind of crisis is precisely the moment when our members ought to be showing that they're living up to the principles in our statement of corporate purpose and that has been true. When you look at the major corporations in America and the extraordinary efforts most of them have gone to in order to support their customers, their employees, their suppliers and their communities — to support all of their stakeholders — it has been truly impressive. I don't need to tick off all the things they've done, but hundreds of millions of dollars were donated, time was donated, manufacturing facilities were repurposed to make masks and ventilators and so on across the board. I think history will show that corporate America during the pandemic really stepped up in support of all of company stakeholders and therefore in support of shareholders because corporate America will have done its part to get us through the pandemic as rapidly as possible and make sure that we have economic vibrancy on the other side.

BL: It certainly seems that the last nine months have shown the CEO community's gravitas and devotion to employees. I think you were referencing Ford — what other key examples have encouraged you?

JB: GM, too. They are both members of the Business Roundtable and they both really stepped up to retool and manufacture personal protective equipment and

ventilators. A lot of companies stepped up. Let's not forget all of the essential businesses like those who sell food, like Wal-Mart. They stayed open and they made it possible for everybody in their communities to get food safely.

And those companies that weren't involved in some of those essential activities were making contributions too. New York Life, Cigna and other insurers got together to create funds to support first responders. I don't think you can go to a major corporation in America today and not find that they've given extraordinary strong support to their own close-in communities and the broader community as well. I'm personally proud of the record and I think everybody ought to be.

BL: At the start of 2020, I observed that in the area of ESG, which is linked closely to the purpose discussion, there was more focus on the "E" portion of that. But as we entered the pandemic, the focus moved to the "S" and then even more so after the George Floyd incident. What have been some of your observations and interactions around ESG and how it's coupling together with the purpose movement?

JB: That is a good question. Let me focus on two specific episodes that really struck me. One was when the pandemic first hit in March and we, I guess, fortuitously happened to have a board meeting just as the full scope of the pandemic became clear. We held our first virtual board meeting in mid-March and part of the purpose of that board meeting, given the circumstances, was for us to determine from our membership what they wanted us to do by way of policy lobbying in the course of the pandemic. That's a lot of what the Business Roundtable does, we lobby the administration and Congress on policy on behalf of the corporate community collectively. There are 22 CEOs on our board across all industries and you might have expected that they would come in and say that what you need to lobby for protections for us, for subsidies, for, basically, a bailout. But that was not the tenor of the conversation. They were anxious about their own businesses, but I think they felt confident that they could see it through — they had the capital and the access to the capital markets. Policymakers at the Treasury and Fed especially were doing the right things to make sure that there was ongoing liquidity and access to capital. Our members felt confident that they could get to the other side of the pandemic in good shape.

What they were worried about was their stakeholders: their employees, customers and especially their suppliers. In our group are 200 of the biggest corporations in America. They are an engine of the economy, not just for their own employees and shareholders, but they keep a lot of small businesses in America going — some of our companies have 20,000 or more small business

suppliers. That's what the members of the board were concerned about, that their small business suppliers would not make it to the other side of the pandemic. We were instructed to go lobby for programs like the Paycheck Protection Program that would make it possible to basically sustain life in the portions of the economy that were in jeopardy so that when we get to the other side of the pandemic, we can have a robust recovery. That's episode one and it occurred right at the start of the pandemic and that's what we have spent our time lobbying about.

The second episode occurred with the killing of George Floyd at the beginning of summer and, here again, our board got together and I was very struck by the extent to which they shared the shock and grief that so many in America were experiencing. This group of CEOs said they didn't want to waste the moment. Every one of them has been engaged in in some way in attempting to ameliorate the racial inequities in our society, every one of them has diversity and inclusion programs and every one of them also said we haven't succeeded with diversity and inclusion to the extent that we should. I found myself in the business of helping to form collective public policy positions, not just on diversity and inclusion issues but also on issues that are traditionally not in the lane of a trade association like ours, such as policing reform. The CEOs felt that their employees were demanding that they be heard on that subject. So instead of lobbying for a tax cut, which is traditionally an important element of what we do, we're up on the Hill trying to bring Republicans and Democrats together in support of sensible policing reform.

BL: How do boards of directors factor in and how would you like to see them lean in and help you with what you just described?

JB: I serve on a board myself, and it's a real privilege to serve on the board of one of America's many great companies. I'm a big promoter and appreciator of the role that directors play and the guidance they offer.

I think there are a couple of things that that directors can do. First of all, in their own role in the corporation, directors are now increasingly called on to hold management to account not just for immediate profitability, but on whether we are taking care of our other stakeholders. Are we meeting our ESG metrics? And how do we how do we decide on what those are? My request to board members everywhere, to the extent I have any platform to make it, is to lean in on that. Hold management to account. You're pushing on an open door, but make sure they are doing things in a way that the community and the public can understand. Keep the pressure on management to accurately describe and disclose what's going on and communicate that to the public. Beyond that, I

would say, tell the story of your corporation to the public.. Polling shows that most Americans believe that the corporation on whose board you serve has no objective other than to make money for you and other shareholders of the corporation. That is simply not the reality in our country today. Do not underestimate the value of promoting all the good that your company is doing for our society in the course of doing its regular business.

BL: Does the term ‘stakeholder capitalism,’ as used by the President-elect mean anything different in your mind to that of your 2019 purpose statement?

JB: I’m not fully sure what the President-elect means when he refers to stakeholder capitalism. We have to be cautious. The phrase is susceptible to misinterpretation because, to a lot of folks, including a number of politicians, stakeholder capitalism means that I get to use your money for my purposes. That is not what was intended in our statement. What’s intended is a reflection that corporations are well-situated and ought to be encouraged and incited to take care of their own employees, customers, suppliers and communities, along with their shareholders. That’s something different from: “Give me a bunch of your money, because I know what to do with it, I know what the societal good is.” Every corporation has its own purpose. Corporate leaders do well to focus on what we are trying to accomplish apart from, or rather in addition to, getting a good return for our shareholders. But the corporation and the board representing the shareholders gets to decide what that is. I think the confusion here is that in the minds of many politicians, they get to decide what the purpose is. That is not at all what’s intended in our statement. Far be it for me to say what’s in President-elect Biden’s mind. I’m hopeful he sees the same thing that we see.

BL: When we start thinking about stakeholder capitalism and the purpose of a company, I think one of the important things is really the legacy. What is your vision for the future, for capitalism in America and beyond?

JB: Well, I like the vision embedded in our statement of corporate purpose, which is that capitalism is by far the best economic system yet to exist on this planet. I’m confident it will remain so through our lifetime and the lifetimes of our children and grandchildren. And it will best be sustained by making it clear, both in statements of principle and by action, that the benefits of capitalism actually extend to all of society, and that when corporations operate within that capitalist society, they do best. They flourish. They support their shareholders best by supporting all of their stakeholders. Increasing recognition of that, not just in the C-suites or in the corporate boardrooms, but throughout the country, is what’s going to help make American capitalism flourish for generations to come and prosper.