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## ‘Stakeholder’ Talk Proves Empty Again

**Two years after signing the Business Roundtable statement, companies still prioritize shareholders.**

By Lucian Bebchuk and Roberto Tallarita

Corporate leaders have been busy presenting themselves as guardians of the interests of “stakeholders,” such as customers, employees, suppliers and communities as well as shareholders. Our recent [research](#), however, casts serious doubt on whether corporations are matching the talk with action.

Aug. 19 marks the second anniversary of the Business Roundtable’s Statement on the Purpose of a Corporation. Signed by the CEOs of many major U.S. companies, the statement committed them to deliver value to all stakeholders, not only shareholders.

Last summer we [reported](#) in these pages our findings that CEOs who signed the Business Roundtable statement didn’t obtain the approval of their boards. Because board approval is commonly sought for any major decision, we inferred that the CEOs didn’t view the statement as a meaningful commitment to change how they do business. But some critics argued that the lack of board approval didn’t prove much. So we dug deeper, investigating an array of corporate documents for the 136 public U.S. companies whose CEOs signed the statement.

Fidelity National Information Services CEO Gary Norcross called the statement on corporate purpose a “transformative statement” and Delta Air Lines CEO Ed Bastian said it “broadened the responsibility of corporate America to all stakeholders.” But we found evidence that the signatory CEOs didn’t intend to make any significant changes to how they do business.

We’ve identified almost 100 signatory companies that updated their corporate governance guidelines by the end of 2020. We found that the companies that made updates generally didn’t add any language that elevates the status of stakeholders, and most of them reaffirmed governance principles supporting shareholder primacy.

Shareholders submitted more than 40 proposals to signatory companies on how to implement the statement’s vision. The companies all opposed these proposals, and most of the companies explicitly stated—in their proxy statement or in letters sent to the Securities and Exchange Commission—that the statement didn’t require any changes to their treatment of stakeholders.

We also found that about 85% of the signatory companies didn't even mention joining the "historic" statement in their proxy statements sent to shareholders the following year. Among the 19 companies that did mention it, none indicated that joining the statement would cause any changes to how they treat stakeholders.

Last but not least, we examined the structure of director compensation. We found that signatory companies universally continue to pay directors in company stock as a substantial portion of their total compensation. Further, most of the companies still have guidelines that explicitly align the interests of directors and stockholders. In contrast, no company's compensation practices or guidelines link director compensation with stakeholder interests. The strong alignment of director pay with stock price sends a clear signal that shareholder value is the objective directors are expected to pursue.

If CEOs weren't intending to deliver value to all stakeholders, what were they trying to do with their statement? One potential motivation is to make corporate leaders less accountable to shareholders. Corporate leaders and advisers often use stakeholder arguments to urge institutional investors to be more deferential to incumbent leaders, less open to activists' challenges in the event of underperformance, and more accepting of arrangements that insulate management from shareholder intervention. Another potential motivation is to release pressure for stakeholder-protecting regulation.

Whatever corporate leaders are trying to gain with stakeholder rhetoric, it isn't stakeholder protection. The fog created by the Business Roundtable's statement shouldn't obscure this reality.

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