



Jon Pepper Books/Discussion Guide No. 3: Shareholders v. Stakeholders

Walker Hope is unabashedly focused on shareholder returns while Robbie Crowe stresses the importance of other “stakeholders.” Until recently, America’s largest corporations were blunt in saying their chief obligation was to serve shareholders. That has changed recently with organizations such as the Business Roundtable, composed of chief executives in America’s largest corporations. It issued a statement in 2019 signed by 181 CEOs saying “the Purpose of a Corporation... (is to) benefit of all stakeholders – customers, employees, suppliers, communities and shareholders.”

The question is: what should be the primary focus of top executives?

Shareholders?

- Take care of shareholders and everything else will fall into place
- A focus on shareholders requires good management of customers, employees, suppliers, and communities
- The recent emphasis on “stakeholders” is little more than a PR positioning that reframes what good companies do anyway
- Companies have a moral obligation to first serve the owners who have entrusted their money with them with the intention of creating value
- Despite the recent focus on ESG, nobody can agree on criteria to measure company performance on stakeholder issues

Stakeholders?

- These issues are not mutually exclusive. Take care of stakeholders and the shareholders will ultimately benefit.
- The relentless focus on shareholders to exclusion of all else leads to corporate greed, cutting corners and shortchanging people who interface with the business
- Businesses have a moral obligation to create a fairer and more just society
- Doing well by doing good has got to be more than discrete corporate marketing campaigns. Corporate citizenship needs to be integrated into a company’s business plan.

Questions:

How would you rank a company’s stakeholders in terms of importance? What are the variables that should be considered in terms of prioritization?

Where would your priorities lie as a top executive?