Shareholders do not own corporations

• What does it mean to own something?
• What do shareholders own?
• Accountability?
• So what?
  • Benefit Corps – A solution to a non-problem
  • Implicitly validates
Corporations are people and people are....

- ...Boundedly Self-interested (Bosse & Phillips, 2016)
  - Narrow SI – tautological or wrong
  - Reciprocity
  - Tipping and Revenge
- ...Psychologically Complex (Greene, 2013)
  - Intuition vs. Rationality
  - Me/you vs. us/them
- Federalist No. 10 (Publius, 1787)
- But organizations are artifice and it’s people all the way down
Ethics, Values, Norms, etc.

• No more powerful source of human coordination in history
  • Thou Shalt Nots vs. Aligned Values
• Yet systematically and intentionally ignored by many of our most influential theories
• Three things you’re not supposed to talk about in polite company
Business Roundtable Statement

• “In The Business Roundtable’s view, the paramount duty of management and of boards of directors is to the corporation’s stockholders; the interests of other stakeholders are relevant as a derivative of the duty to stockholders. The notion that the board must somehow balance the interests of stockholders against the interests of other stakeholders fundamentally misconstrues the role of directors.” (1997: 3)
  • 31 manuscript pages; no sign of specifiable authorship
Business Roundtable Statement

• 305 words - 11/12 pages are signatures of 183 top executives (11 women)

• Relevance to practice
  • Donaldson and Preston’s remaining work (“managerial”)

• How is this controversial?
  • “Business schools do not need to do a great deal more to help prevent future Enrons; they need only to stop doing a lot they currently do.” (Ghoshal, 2005: 75)

• Fiduciary duties to shareholders
  • Did corporate counsel approve?
  • Supersede?
Business Roundtable Statement

From Press Release:

“Since 1978, Business Roundtable has periodically issued Principles of Corporate Governance. Each version of the document issued since 1997 has endorsed principles of shareholder primacy – that corporations exist principally to serve shareholders. With today’s announcement, the new Statement supersedes previous statements and outlines a modern standard for corporate responsibility.” (emphasis added)
Business Roundtable Statement

Will it make any difference?

• Firms were already doing this
• Removes (nonsense) obstacles
  • Only thing worse than what we don’t know is what we think we know that’s wrong!
  • “If I have not seen as far as others, it is because giants were standing on my shoulders.”
    H. Abelson (attributed to his Princeton roommate Jeff Goll)

• Fiduciary duties to shareholders
• Self-interest
  • Essentially competitive
• Humans welcome?