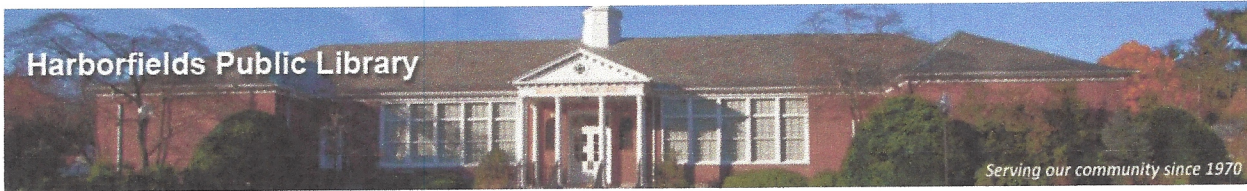


Global Viewpoints Forum

Shareholder Capitalism vs. Stakeholder Capitalism - *What's the Difference, and Why Does It Matter?*

Harborfields Public Library – Zoom Video – January 12, 2021

Facilitator: John Busch



Shareholder Capitalism vs. Stakeholder Capitalism – What's the Difference, and Why Does It Matter?

Relevant Data: (Forbes, VOX, National Law Review, ISO, Harvard University, ElizabethWarren.com, Brookings)

Background

Definitions:

- *Shareholder* – Owns a part of a public company through shares of stock – Individual and group – Internal and external – Common and preferred – Buy or sell shares, vote for board members, nominate directors, vote on mergers and charters, receive dividends (shareholders may be stakeholders)
- *Stakeholder* – Has an interest in the performance of a company for reasons other than stock performance and appreciation – Individual or group – Internal and external – Employees, customers, clients, vendors, surrounding communities (stakeholders may or may not be shareholders)
- *Capitalism* – An economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state
- *Shareholder Capitalism* – Corporations are oriented to serve the interests of their shareholders
- *Stakeholder Capitalism* – Corporations are oriented to serve the interests of all of their stakeholders

Background:

- *Corporate Social Responsibility (CSR), 1953/2020* – Corporation's goal is to achieve balance among its economic, social, environmental responsibilities to address shareholder and stakeholder expectations
- *Purpose of a Corporation/Shareholder Theory, 1970's* – Milton Friedman – A corporation's main responsibility is to its shareholders and to maximize their return on their investment

Evolution and Current Perspectives:

- *Purpose of a Corporation/Business Roundtable 2019* – Revised a 22-year-old policy statement that defined a corporation's principle purpose of maximizing stakeholder value to: Deliver value to customers, Invest in employees, Deal fairly and ethically with suppliers, Support communities in which they work, and Generate long-term value for all stakeholders
- *Board Diversity Proposal/NASDAQ, 2020* – Will require its 3,000 listed companies to have at least one member of the board who self-identifies as a female, and another director who is either a racial minority or lesbian, gay, bisexual, transgender, or queer
- *California Board Diversity Law, 2020* – Depending on size, each corporate board must have a minimum of 1-3 directors from underrepresented communities (self-identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, Alaskan Native, Gay, Lesbian, Bisexual, or Transgender)
- *Accountable Capitalism Act/Elizabeth Warren, 2018/2020* – Corporations with \$1B+ in tax receipts would be required to obtain a Federal Charter, have employees elect 40% of board members, operate to serve the common good, and restrict corporate officers in business, financial and political decision making



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Discussion Questions:

... Shareholder vs. Stakeholder ...

- **Does Shareholder Capitalism conflict with Stakeholder Capitalism and, if so, how?**
- **Do corporations contribute to income or wealth inequality – should they have a role in addressing it?**
- **What role, if any, should government play in corporations, and are we potentially on a slippery slope?**
- **Is shareholder influence more effective than mandates in diversifying corporate boards?**

Next Forum – February 9, 2021

Topic: Microbes, The Good, The Bad, and The Ugly – What Do We Need To Know

Suggestions for Future Topics?

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