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Can Companies Satisfy *Both* Shareholders and Stakeholders?

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"What should be the role of the corporation in society?"

Discussion and debate on this issue have been ongoing since time immemorial. Most recently, the global financial crisis of 2007-2008 unleashed a huge wave of hostility towards multinational firms and financial institutions and even greater animosity among those on the political left who do not believe that profit-making should be the sole purpose of the corporation.

The result has been that for nearly two decades, whether by choice or necessity (external pressure), companies have jumped on the bandwagon of "corporate social responsibility" activities and "ESG—environmental, social, governance" measurement to manifest to investors, employees, and the public at large that they contribute to the welfare of society.

But must companies choose between the pursuit of growth, profitability, and return on equity for their shareholders and employing their financial resources to non-business endeavors in pursuit of noble social, economic, and environmental goals?

Clearly there should be a middle ground. And there is— "shared value". As conceived by Harvard faculty members Michael Porter and Mark Kramer, shared value is a management strategy in which companies find business opportunities in social and environmental problems. Illustrative is a consumer goods firm that lowers its cost of packaging (saving money) while decreasing its environmental footprint at the same time. For Porter and Kramer, shared value is manifested in three ways: reconceiving products and markets, redefining productivity, and strengthening local clusters.

We propose broadening the "trio" by enlarging it to a "quintet"—adding the indispensable features of *ownership* and *accountability.* In upgrading and broadening the concept of shared value, we refer to it as the shorthand "Me to We."

When it comes to *ownership,* a sense of ownership must permeate the organization and its value chain. This entails a clear definition of responsibility and expectations within a culture of engagement and inclusivity. Firms such as Hilton, Cisco, and employee-centric enterprises like Patagonia embody this concept.

To illustrate, in the automobile industry's value chain, price, design, quality, service and reliability are the critical features in car-purchasing decisions. To be effective and sustainable, every worker responsible for each feature must feel empowered individually and as a group.

As for *accountability,* it starts with leadership's example (i.e. Mary Barra at GM and Reed Hastings at Netflix). It requires responsibility for results, be it by an individual or team, and acknowledgment that one's actions have an effect on another's ability to accomplish their objectives and goals. That means at times responsibility for failure.

Accountability also requires changing the way success is measured at the institutional level, shifting from *output* metrics to *outcome* metrics. For example, generating a smaller carbon footprint due to a specific change in manufacturing operations. Finally, accountability cannot be delegated but must be front and center of a culture shift to make it one of the highest priorities of an enterprise.

Recognizably, a company is not a social welfare organization; and irrespective of the altruistic missives put out by corporate PR departments, shareholders have a singular goal—ensuring that the company in which they are invested relentlessly pursues three objectives: #1 make money, #2 make even more money and #3 ensure that objectives #1 and #2 are met.

While the Business Roundtable's 2019 "Purpose of a Corporation", signed by 200 CEOs, emphasizes a commitment to all stakeholders and an economy that services all Americans, the bottom line is….well…the bottom line.

Be that as it may, given the trend of growing convergence of shareholder-stakeholder relations in shaping the business ecosystem, Me to We (M2W) will gain ever more influence and impact. For as the approach is bottom-up as well as top-down--closing the loop--it creates a win-win for all with a clear sense of shared responsibility**.**

One need only peruse *Fortune's* Change the World list that honors companies that use the creative tools of capitalism to address society's unmet needs. Companies that create value can outperform their peers and in so doing produce superior returns both to society and shareholders. MasterCard is a prime example with a focus on growth through financial inclusion, yielding greater social value and shareholder returns. Other outstanding firms with a shared value emphasis include Unilever, AB InBev, and H&M.

We firmly believe that the concept of Me to We could invigorate capitalism and its relationship to society. It could quite possibly drive the next wave of innovation and productivity growth in the global economy as it opens managers' eyes to immense human needs that must be met, large new markets to be served, and the internal costs of social deficits—as well as the competitive advantages available from addressing them. Attaining it will require managers to develop new skills and knowledge and governments to learn how to regulate in ways that enable a Me to We approach rather than work against it.

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