

Americans are demanding more of their corporations

Although this may seem a surprising sentiment, the writing has been on the wall for some time.

The Business Roundtable, a group of the country's chief executives, made headlines last week when its chair, and the Chief Executive of JP Morgan Chase, Jamie Dimon, announced that maximizing shareholder profits can no longer be the driving force and sole priority of companies.

Although this may seem a surprising sentiment, the writing has been on the wall for some time. The trends of the last few decades have culminated in a reconfiguration of expectations and roles. Americans' discomfort or dissatisfaction with the economy, disillusionment with government and political institutions, and generational change have profoundly impacted the way business must engage.

First, it is becoming increasingly clear that despite rising productivity, low unemployment and a growing economy, large segments of the American public are feeling disconnected from prosperity or uncomfortable with wealth disparities. Around 6 in 10 adults believe the nation's economy unfairly favors powerful interests, according to the Pew Research Center. And a 2019 study by Pew found that adults under 30 had a favorable view of both capitalism (52%) and socialism (50%). (A 2018 Gallup poll showed that support for socialism among young people was holding steady while they soured on capitalism.) Even wealthy CEOs — including Dimon and Bridgewater Associates' Ray Dalio — have called for an examination of the whether our capitalist system can still deliver on the American dream.

At the same time, Americans are becoming ever more disillusioned with government institutions and their ability to address issues. Earlier this year, Americans' trust in government to handle domestic and international problems shrunk to its lowest level in two decades. Frustration with the pace and effectiveness of government action has led to more local, community-driven efforts. Public-private partnerships and social entrepreneurship used to be a rarity. Now they are seen as necessary and normal for government to "do business."

These low expectations for government are coinciding with new expectations for corporations ushered in by generational change. The rise of the millennials has not only brought us open workspaces (no more individual offices), flattened business organizations (teamwork, not authority), and a new front in social media warfare (influencers, Twitter campaigns, "trending"). It has also

changed consumer interactions with business. Many millennials now believe that their dollars matter more than their votes. This belief may be destructive to democratic political engagement, but it also has reshaped expectations for corporate citizenship.

Companies can no longer ignore social impacts when making business decisions and courting consumers. A controversial decision that maximized profits in the short term may have been a no-brainer a decade or two ago, but the lasting damage to the brand in today's environment requires a new calculation. One has only to see the sea change at Nike, which took the position in the 1990s that it could not be responsible for worker exploitation in factories it didn't own. After a public backlash, Nike changed its workforce policies. Now, the company publicly posts inspections of its global factories and coaches factories overseas, and Nike is widely viewed as a leader in addressing global working conditions.

The realization that business must consider more than the bottom line is novel only since globalization severed the ties of business and the political states and communities in which they operate. Owners of small businesses have long understood that their path to success lay clearly in the communities they served. Seeking only the bottom line is a foolish and shortsighted strategy when you work, play and live next to your customers, employees and business partners.

And while technology and globalization may have made businesses large, it has also made the world smaller and more connected. And it is these connections — multinational businesses and their small town employees and consumers, executives and their social media followers, community leaders and their stakeholders — that ultimately will require businesses to behave and lead like good citizens who are in it for the long run. Even if it hurts the bottom line in the short run.

Veronica Vargas Stidvent, former assistant secretary for policy at the U.S. Department of Labor, is the principal of Stidvent Partners.

