Can Shareholder-Owned Corporations Maximize Profits Without Harming Their Stakeholders?

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Abstract

Can shareholder-owned corporations maximize profits without harming their stakeholders? This was the central question of the first QUASI (Questions and Unanswers About Social Innovation) webinar. The 'Yes' side argues that 1) firms are conditioned to avoid harming stakeholders, 2) firms with the best stakeholder relations offer higher overall value, and 3) a shareholder primacy view of business that puts "profits above people" is old news and no longer accepted business practice. The 'No' position argues that we live in a golden age of corporate wrongdoing in which corporate actions provide an endless buffet of products and practices that make the world worse. The bright spot is that public corporations appear to be mostly doomed as an economic vehicle in the US. 'It depends' emphasizes the idea that there is actually no such creature as a shareholder-owned corporations, because the corporation actually "owns" itself. Shareholders merely own a legal financial instrument with a limited set of rights and virtually no responsibilities. Finally we ask 'Well, so what?' suggesting that perhaps the question itself needs to be reframed because it relies on a set of questionable assumptions about the ownership and nature of the firm, business as usual continuing, ethical responsibilities and practices, company purpose, flawed performance metrics,

and the reality that companies—and all of us—are actually stakeholders to Gaia.

Introduction

Can shareholder-owned corporations maximize profits without harming their stakeholders? This question is important because the common wisdom is that companies need to pay priority attention to shareholders over the interests of other stakeholders—and the common understanding tends to be that focusing on stakeholders will somehow decrease shareholder benefits. We put this common wisdom to the test in what follows by emphasizing a positive response to the question, followed by a negative one, with an "It depends" response balancing the two—and then suggesting that perhaps the question itself and this common wisdom needs to be reframed to cope with the realities of the world brought up in the different responses.

The Case in Favor

The question is an interesting one that evokes the clichéd image of Gordon Gecko in the movie *Wall Street,* bent on maximizing profits at the expense of employees, communities and other stakeholders. It also implies a shareholder primacy model of corporate governance, where maximizing shareholder value is the ultimate firm goal.

However, as argued below, this view of the corporation is old news—and one that is in the rearview mirror. The short answer to the question is yes, shareholder-owned corporations can maximize profits *(or at least maximize value)* without harming their stakeholders. There are three main points supporting this position: 1) firms are conditioned to avoid harming stakeholders, 2) firms with the best stakeholder relations offer higher overall firm value, and 3) a shareholder primacy view of business that puts "profits above people" is old news and no longer accepted business practice.

To the first point, issues of reputation, legitimacy, moral salience, and social judgments *condition firms to avoid harming stakeholders*. The reputational backlash when companies make profits at the expense of other stakeholders can be long-lasting.[1] The attainment of legitimacy rests in the social judgments of internal and external stakeholders. Therefore, companies work hard to capture positive social judgments, and avoid the loss of legitimacy.[2] Recapturing stakeholder support, once lost, requires a lot of goodwill, depending on the level of moral salience of the harm.[3,4] Hence, companies pursuing the goal of maximizing shareholder value are conditioned to avoid harming other stakeholders. In effect, no company wants to be the next Purdue Pharma, Takata, or Dupont—i.e., companies involved in illegalities linked to profit maximization over societal welfare.

Second, *firms with the best stakeholder relations offer higher overall shareholder value*. This reality has been affirmed under a risk management hypothesis,[5] which shows that shareholders gain when managers allocate resources towards other stakeholders, particularly under the broad umbrella of corporate social responsibility. In essence, allocating resources to other stakeholders sends a signal that the firm is not completely self-interested and has an "other-considering disposition towards various stakeholders," which provides an insurance-like quality that boosts share price.[6] Additionally, even hard-core strategists concede that firms must consider a stakeholder perspective to capture higher rents, particularly as the creation of rent is directly associated with perceptions of fairness among stakeholders.[7,8] The case for this stakeholder rent perspective is not unlike the business case for CSR, with its responsibility-profitability connection. Companies like Unilever and Schneider Electric are evidence of this, which is why they continue to receive accolades and awards from corporate watchdog agencies like the Corporate Knights.

Third, *businesses today have moved beyond a shareholder primacy orientation* and evolved beyond the mindset that shareholders' interests supersede all other stakeholders' interests. As many have argued, shareholders do not own the corporation---from legal and economic perspectives,[9] from a view of the firm as a nexus of contracts with all stakeholders as contractors,[10] and from the view of the corporation as team-based corporate production.[11,12] Even Adam Smith, often (mis)aligned with the "greed is good" vernacular of capitalism, espoused elements of stakeholder management that suggest businesses are about more than directing value to their shareholders.[13]

Additionally, there is evidence that shareholders are buying into this mindset. For example, the 2019 statement by 181 CEOS of the Business Roundtable redefined the purpose of the corporation with a stakeholder lens (albeit with some pushback from the Council of Institutional Investors).[14] Similarly, the growth and acceptance of environmental, social, and governance (ESG) measures and social audits in the asset management arena point to further acceptance of a more stakeholder approach to business.[15] Large institutional shareholders are no longer passive about broader-based stakeholder issues, perhaps responding to pressures to incorporate stakeholder interests, including ESG-related proxy proposals.[16] Even established agency theorists like Michael Jensen have come around to this view by endorsing that the focus of a firm should be on firm value, not shareholder value.[17]

In sum, firms are motivated both implicitly and explicitly to treat their stakeholders well, even under the goal of maximizing profits. The question implies a trade-off that is no longer supported by theory, and only exists in practice for those companies who seemingly have a Gordon Gecko at the helm. Shareholder-owned corporations can maximize profits without harming stakeholders…and many of them do.

The Case Against

There is an alternative position. We are living in a golden age of corporate wrongdoing. Across many industries and geographies, the corporate sector provides an endless buffet of products and practices that make the world a worse place. Life expectancy in the United States has suffered an unprecedented decline in recent years due to an opioid epidemic driven by pharmaceutical corporations such as Purdue Pharma. Addictive products can be highly profitable, and Purdue used sophisticated marketing tools to prey on the most vulnerable populations. Were other businesses repulsed by Purdue's (extremely profitable) practices? Hardly: Insys Therapeutics followed the Purdue playbook note for note with its brand of fentanyl. (At this writing the Sackler family that owned Purdue is still astoundingly rich, and no Sacklers are in prison, so…the system worked?) The company behind Juul, an electronic nicotine delivery device invented by two Stanford grads to help smokers quit, ended up marketing its fruity-flavored (and highly addictive) products to teens and tweens via ads on the Cartoon Network and Nick Jr. websites. Nestle's former CEO described the company as a "nutrition, health, and wellness company," in spite of the fact that its own research finds 60 percent of its sugary, salty, fatty products to be unhealthy.[18] Meanwhile, 60 percent of American adults are overweight, and 40 percent are clinically obese. Facebook employs behavioral scientists to help design products for compulsive use in order to sell more ads. The company's lax approach toward seditious speech created a safe space for those plotting to bring down American democracy on January 6, 2021. And Big Oil companies are simultaneously hurtling our species toward extinction while undermining the credibility of science through their support of nonsensical funded research.[19]

Perhaps Big Pharma, Big Tobacco, Big Sugar, Big Tech, and Big Oil are exceptions – oddballs outside the mainstream of business. But the institutional terroir of American capitalism can be summarized in three words: maximize shareholder value. It does not matter what the personal virtues or failings of business executives might be: if they work in a company whose shares are traded on the stock market, it will be impossible to escape the iron grip of share price. Top executives of listed corporations in the US face a gantlet of enforcers that compel their devotion to share price: compensation systems precisely tied to share price increases; boards of directors who erroneously believe their legal duty is to maximize shareholder value; equity analysts who act as unbidden coaches shouting advice from the sidelines; state corporate laws and stock exchanges that tilt power toward shareholders; and activist hedge funds that use this power to bully corporations into compliance. Note that this system does not require viewing shareholders as the "real" owners of the corporation, or as somehow more worthy than any other stakeholders. It only requires viewing *share price* as the best available measure of corporate value, and thus the appropriate way to calibrate whether the company is headed in the right direction. Shareholders per se are mere placeholders here – it is share price that matters.[20]

What does compliance look like? Pursuing strategies that generate the largest profits possible and ensuring that as large a share as possible of the proceeds from corporate activities ends up in the hands of investors. Companies that create remunerative employment are punished by Wall Street. When Walmart announced that it was raising the minimum wage at its stores to $9 in 2015, its market cap dropped by $8 billion in a day.[21] When American Airlines announced raises for its pilots and flight attendants in 2017, its share price dropped over 5 percent. An analyst at Citigroup wrote to clients, "This is frustrating. Labor is being paid first again. Shareholders get leftovers" (which, to be sure, was definitionally correct: that is why shareholders are called "residual claimants").[22] A JP Morgan analyst downgraded American from "overweight" to "neutral" and complained that "We are troubled by AAL's wealth transfer of nearly $1 billion to its labor groups." And it gets worse: researchers find that corporations with higher ratings on corporate social responsibility (CSR) actually attract unwanted investor activists, and subsequently cut back on their do-gooding (and R&D, and capital expenditures). In short: generous employers and those who seek to give back to their community are punished by the markets.[23]

But what about that Business Roundtable manifesto announcing that, come to think of it, corporations exist to make the world a better place for stakeholders, not just to enrich investors? It turns out that the CEO signatories to this noble statement were not entirely sincere. None had received approval from their boards before signing – a strange oversight, if one is declaring a change to the very purpose of the corporation. 85 percent failed to mention the new commitment on their next proxy, and none supported stakeholder-oriented shareholder proposals. Moreover, their share-based compensation practices continued as before.[24] There is very little evidence of exchange-listed corporations rushing to do good, if it comes at the expense of shareholder value.

American stock markets are like the Toledo shore of Lake Erie in the summer: a toxic place where any kind of fish that finds itself swimming will be fouled by its surroundings. Consider companies with dual-class voting shares that give their founders an impregnable defense against outside investors, such as Facebook (in which Mark Zuckerberg holds nearly 60 percent of the votes) or Alphabet (where Sergei Brin and Larry Page have a class of shares controlling 51 percent of the votes). Absolute voting control gives effective veto power against dissident board members, activist investors, noisy analysts, and unwanted acquirers. Surely Facebook and Google will use their power for good? But if you recruit and reward employees with stock options, as nearly all tech firms do, you bring the voice of Wall Street inside the house. (Google quietly removed the dictum "Don't be evil" from its code of conduct in 2018.[25]) Moreover, even companies that build stakeholders into their legal charter – Public Benefit Corporations and Certified B Corporations – have been rare and short-lived on the stock market. Etsy debuted on the market as a Certified B in 2015, and within two years had defenestrated its CEO and abandoned its B status. Danone's CEO in France faced a similar fate in 2021.[26] To be fair, there is currently a backlog of B Corps slated to go public, and perhaps they will prove me wrong…but it would be a mistake to invest pension funds in them.

The bright spot in all this is that public corporations appear to be mostly doomed as an economic vehicle in the US. There are half as many today as 25 years ago, and the IPO market has never returned to its late-1990s effervescence even as the stock market overall has surged. This fact can be attributed to the drastic declines in the cost of accessing core factor markets for capital, labor, supplies, and distribution due to information and communication technologies.[27] It is increasingly affordable to snap together an enterprise by renting the core components rather than buying them, making it unnecessary to ever go public. Perhaps this portends a new wave of public-spirited enterprises that will balance profit with purpose. On the other hand, Purdue Pharma, the poster child for evil, was a family-owned business.[28]

Well, It Depends

Pedantry – though providing little joy to either pedant or pedanted – is the shop-worn tool of those who would deign to defend so bold a claim as "it depends". And so, let the stickling commence.

First, there is no such creature as the shareholder-owned corporation. Shareholders do not own the corporation in any but the most confused and confusing sense. The corporation is no more owned than a university, government, non-profit, religious institution, sewing circle, or any other form of human organization. The corporation "owns" itself. Among the central aims of incorporating is precisely to create a new actor that is able to accumulate and deploy capital while limiting the liabilities of the very people apparently presumed to own it. What shareholders own, in fact, is a legal financial instrument with a limited set of rights and virtually no discernable responsibilities.

This clarification at least partially explains how absence becomes evidence for critics of the 2019 Business Roundtable (BRT) Statement. The absence of Board approval and regulatory disclosure of the new Statement might be corroboration of hypocrisy, treachery, and deceit on the part of corporations. It might also mean that the prior BRT Statement concerning maximizing shareholder wealth was itself merely hortatory. The yawps of shareholder wealth maximization have been dogma all along. Quoting Harrison, et al.:[29]

> One significant role of the BRT Statement, then, is as a contribution to clearing some poorly conceived ideas out of the way. As Ghoshal writes, "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."[30] Nothing in the BRT Statement would be in the least controversial but for the deeply rooted bad ideas to which it is a response. If a group of university presidents issued a statement saying that they were committed to balancing and advancing the interests of students, faculty, staff, donors, alumni, and so on, we would wonder why something so obvious needed saying. It's the conversational equivalent of announcing each of one's next breaths. In fact, when individual corporations' statements of purpose, mission, vision, and so forth make similar assertions to those in the BRT Statement, few eyes are batted. …
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> The BRT Statement also represents a severe blow to the idea that a commitment to stakeholders places managers in potential legal jeopardy for violation of fiduciary duties[31,32] It is reasonable to assume that the BRT must have itself consulted with numerous corporate lawyers during the debate and drafting of the Statement. We further suspect that the Statement made the rounds in the general counsels' offices of 183 of the largest companies in the United States. Critics who

> continue to pronounce an opposition between stakeholder management and fiduciary duties now find themselves opposed to scores of front-line corporate law experts.

Nor do shareholders own the corporation in any way resembling common understanding of ownership. The phrase emerged as a shorthand for a complex set of legal and financial relationships only to have the key verb (own) take on a Frankensteinian life of its own. So too for the idea of the corporation as a "person." Clearly corporations are not people and there are times when the rhetorical convenience of allegory comes at a price too dear on accuracy's side of the ledger. Corporations are not people, but they are constituted of people. And this brings us to our next punctilio of pedantry.

Though not a person itself, a corporation is rife with them. And with people comes complexity – the creative spark of "it depends-ism". Corporations are entirely artificial – not in the sense that they aren't "real", but in the sense of artifice. They are the craftwork of the people who create and co-create them every day – shareholders and stakeholders alike. People and their schemes remain among the great eternal mysteries. Gathering these enigmas together into M-forms, departments, subsidiaries, networks, joint ventures, gigs, etc. etc. is hardly an act of simplification, so why should we believe that any outcome of these assemblages is foreordained (or even predictable)? People are, for example, self-interested, but only within the limits of fairness and reciprocity. People care deeply about honesty, but when brought together on cooperative and competitive stages, loyalty will test those depths. A person who cares not at all about fairness, reciprocity, honesty, and loyalty is not a psychologically healthy one; it has been suggested that modern corporations are, in fact, psychopathic, even when they profess to do good.[33] Indeed, some corporations bear a (Sackler) family resemblance to someone who is a danger to themselves and others. Other corporations have more noble histories. *Some* corporations are psychopaths – now what?

And the pedantry rolls on: It may, in fact, be socially desirable for corporations to maximize profits. Maximizing *shareholder wealth* specifically has no compelling social, legal, or moral rationale, but maximizing *profits* remains a defensible objective pending some idea of how the profits were generated, how they should be deployed, and for whose benefit. Corporations maximize profits without harming stakeholders all over the world every day – indeed, many corporations actively benefit stakeholders with some regularity. Whether the benefits are worth the costs (financial and otherwise), are justly created, and are fairly distributed is a question on which entire careers and schools of thought are built.

But wait, there's more: What do we mean by "harm"? Does it harm competitors to be bested in the marketplace? Our intuitions suggest that being driven to bankruptcy is a harm – even if we believe that it happens for the overall good of society as resources are reallocated to more efficient and desired uses. To the extent that success is at least partially the outcome of a competitive process, harm of some sorts is endemic to free markets. It is far from clear, however, how much of business is competitive and how much is cooperative. Clearly corporations compete with others, but life inside successful corporations is also highly cooperative. Both sides of the competition/cooperation coin can be overstated – markets witness a great deal of cooperative behavior and competition within corporations can be red in tooth and claw—super-competitive. The extent and duration of stakeholder harm by corporations reflects which of these predominates the thinking of decision makers. Managers who **M**astered the **B**usiness **A**dministrative lessons of Strategic Management too well for the last 40 years are likely to see customers, suppliers, employees, and local communities as rivals for co-created rents. Where managers see competition in every relationship, the likelihood of stakeholder harm rises like so much effluent. Of course, there was no greater advocate for cooperation than J.D. Rockefeller as he invited smaller competitors to join or die.[34]

Whereas the first rule of show business is "always leave 'em wanting more," quite the opposite is true for pedantry. There are no standing ovations for it depends-ism, but corporations are contingency all the way down. Corporations are us. If corporations harm stakeholders, it's because corporations and stakeholders are people. It may well be the case that the artifice of the corporation has run its course. The psychopathic may have been given too much creative input into the contours of the artifice that is the corporation and we need new social, legal, and financial ways to organize value creation and trade. But make no mistake, the creation, use, and misuse of whatever is to follow will depend entirely on how people treat and think about one another.

Well, So What?

The question in the title of this paper, 'Can shareholder-owned corporations maximize profits without harming their stakeholder?' kicked off the QUASI seminar series. Beneath that question, however, as the arguments, pro, con, and it depends make clear, is a set of sometimes questionable assumptions. These assumptions fundamentally argue for accepting without change today's commonly accepted "wisdom" about the nature, purpose, ethics, performance metrics, and shareholder dominance of the firm. As the panelists make clear, however, good questions can and need to be raised about each of those assumptions. Fundamentally, the nature of the question accepts business as usual—the status quo—when the evidence presented on all sides makes clear that the question itself may be the wrong question. Further, there is a vast empirical literature, synthesized in several meta-analyses that basically answers the original question about whether shareholder-owned corporations can "do good' for their stakeholders and the natural environment without harming profits.[35,36,37,38] For the most part, the relationship between social (stakeholder) and financial performance turns out to be a positive one. But that may not be the real issue. The real question, it seems to us, is how businesses need to be transformed so that they actually do serve all their stakeholders and societies and do so in harmony with nature, with profits, as stakeholder theorist Ed Freeman argues, simply the by-product of doing so.[39]

There are many things that might change, but the discussion raises certain key elements, discussed below.

Ownership. Perhaps a first consideration is the nature of "ownership" by shareholders. As Charles Handy pointed out long ago[40] and the it depends position makes clear, the nature of shareholding and actual ownership of a firm is very different. Shareholders do just that—"hold" shares, often by institutions and frequently for very short periods of time. They have no real say in the business operations of the firm and are often overruled or ignored by management when strategic or other decisions need to be made. Most shareholders do not even know what companies they own, because they don't own companies, they own shares, and because their shares are actually held by funds of various kinds and traded by financial managers. How does such a relationship constitute any real form of ownership? Owners of businesses, in contrast, have skin in the game—they are involved in the day-to-day activities and decisions of the firm, know something about their employees, customers, communities, and allies, that is, their stakeholders. Perhaps the core issue here is to rethink the nature of shareholding—and the question of what constitutes actual ownership…and whether we want to put as much power as we have into the hands of (often temporary) shareholders?

Business as Usual. Each of the perspectives also makes clear that the question assumes that business as usual continues with its orientation towards shareholder primacy and that the economics narrative that argues for maximization of shareholder wealth does not shift.[41] That raises the issue of the legitimacy of the firm to act in society. Yet, there is significant evidence that today's business as usual, particularly with respect to the growth imperative that drives the idea of maximizing profits, is close to pushing human civilization off a socio-ecological cliff from which recovery may not be possible[42,43,44,45,46] through the numerous bad acts that companies are allowed to perpetrate—and get away with. The constant drive for growth by companies—in profitability, share price, market share, production, and, ultimately consumption of the goods and services produced—is simply not ecologically sustainable, nor is it doing society much good either. It is contributing to civilization-threatening climate change, growing inequality, political divisiveness, and social unrest, among many other issues. Given the manifold issues the panelists allude to, a reorientation of the whole business as usual model seems in order.

Ethics. Each perspective also points to clear ethical issues associated with not only the profits (or share price) at all cost mindset fostered by shareholder primacy, and the sometimes-terrible way stakeholders are treated as a consequence of that mindset. The need to "maximize" profits, if that could even be measured, has a tendency to generate highly ethically questionable operating practices, often in the name of efficiency. Further, there is no morally defensible basis for actions based on the maximization of shareholder wealth given the realities of firm ownership. Consider mass layoffs, often called downsizing or rightsizing, to save money so that short-term profits will look better. Consider the treatment and low pay scales of vulnerable workers—often the very ones deemed "essential" during early days of the Covid-19 pandemic. Consider the cruel and inhumane practices associated with "industrial" and highly "efficient" animal husbandry practices and the devastating ecological consequences of industrial agriculture in general. Or the intense marketing of highly processed, nutritionally vapid food products that generate obesity combined with poor nutrition. The list could go on—business as usual and the interest in profit maximization creates a whole series of ethical issues that are too seldom discussed as such. Perhaps a better focus would be to think about what a next or new economics that enhance life-giving aspects in the world rather than simply monetary ones is what is needed, and how businesses might respond in such a context.[47]

Purpose. Implicitly, too, the question as posed revolves around how corporate purpose is understood, specifically, whether the actual purpose of the firm is, as Friedman's famous dictum goes,[48] to maximize shareholder wealth or not. To the extent that purpose is defined as the maximization of *shareholder* wealth, it essentially does not matter whether or not other stakeholders are harmed because the underlying assumption is that only one stakeholder group matters—the shareholders. But as the ethics discussion above indicates, other stakeholders do matter because they are important to the long-term success of the firm.[49] Donaldson & Walsh argued for an ethics-based definition of business purpose: the creation of collective value without dignity violations.[50] Imagine how differently businesses, especially shareholder-held large corporations, would be viewed from an ethical perspective if their purposes were so defined and they could truly become what David Cooperrider calls "agents of world benefit" in the Case Western Reserve University's initiative of that name.

Performance Metrics. How we measure corporate performance also really matters, because metrics drive actions and where attention goes. If we think about the impacts that companies have both on societies and the natural environment, many of those impacts are today considered to be nothing more than externalities of the constant quest for maximized profits and/or share price. Therefore, externalities are not relevant to company performance metrics, as currently implemented. Because companies will do both what is broadly expected of them (e.g., maximize shareholder wealth today) and what they are measured on (e.g., profitability, share price), if those metrics are the ones that matter, they are the ones that will be attended to, whatever the costs to other stakeholders or to nature's capacity to support human civilization. If we want companies to behave ethically with respect to stakeholders, not just shareholders, and responsible ecologically, then it may be long past time to devise metrics that assess them on those things.

Companies and All of Us as Stakeholders *of* Nature. Finally, to add to the conversation, there is a sense in which *companies* themselves need to be considered stakeholders—to Gaia, that is, the living planet on which we all reside.[51] Companies, even multinational corporations, are not separate from either society or nature. Indeed, as all the positions make clear, companies are part of and have impact on stakeholders, societies, and the natural environment, and those societies themselves are embedded in the natural environment. The economic system, that is, is a subset of social systems, which in turn are subsets of ecological systems. Companies and all of us are dependent on nature's bounty for everything we have, do, eat, wear, or need. We integrally exist in a reciprocal and interdependent relationship with the Earth. For humanity and its businesses to thrive long-term, we need to re-recognize that deeply interconnected reality, as many Indigenous cultures do[52,53,54] and act accordingly.

So What for Practice?

Companies are part of the Earth's ecological system, just as we humans are, and, though they might want to dominate it and nature, they are actually subject to that system's realities and constraints. Taking an ecological systems perspective, recognizing our collective interdependencies, and acting with the idea of stewarding Earthly resources responsibly and reciprocally through a lens in which businesses take their places within the context of societies and nature is imperative for a viable future for humanity. As the whole discussion above attests, that will require a massive mindset shift—and a shift of understanding of the nature, functioning, and purposes of business. Time is short. Let us hope we are up to it.

So What for Scholars?

If, as we have argued, the question asked is moot, then what should the new research questions be? As Margolis and Walsh argued some time ago, it is time to move on to a new set of questions and stop asking whether social and financial performance meld together.[55] While the empirical answer favors the positive response, as noted above, there are significant issues associated with the actual impacts of companies, both positive and negative, on both stakeholders and nature that need to be seriously addressed, probably qualitatively through actual engagement with stakeholders, and addressing ecological impacts, rather than simply quantitatively by looking at the social-financial performance relationship, which the vast bulk of the literature to date has emphasized. Some issues go to the fundamental question of potentially rethinking understanding of what the purpose of the firm is and ought to be and how it ought to function in society, particularly in an era of shrinking population of large corporations.[56] Some of this research needs to emphasize what the purpose of the firm "ought" to be, in line with both research on the ethics of businesses in society as well as by doing what is being called "prospective theorizing,"[57] which orients explicitly towards building a better future.[58,59] Further, research on *how* companies actually do interact with and treat their stakeholders, and how stakeholders respond to the potentially different ways they are treated is in order.

Given the manifest evidence of corporate wrongdoing—often in the interest of wealth maximization for shareholders or profitability—it may also be time to investigate the how's and why's of managerial decision-making practices (as well as board-level decision making) by directly accessing, observing, or interviewing managers. Investigating the realities of corporate compliance with ethical mandates, laws, and norms, rather than relying on more anecdotal evidence of wrongdoing would provide depth to the understanding of why wrongdoing takes place. Further, given the attention that the Business Roundtable's statement on corporate purpose has received both in the press and academia, it is important to further investigate what, if anything, has actually changed as a result of that statement in the companies whose CEOs signed it. Researchers also need to study the empirical differences in stakeholder relationships that exist depending on the company's ownership structures. As we argued in the "It depends" section above, conceptual work on the differences between maximizing shareholder wealth and maximizing profits can clarify where benefits and costs to those perspectives exist. Further, scholars can ask what is meant by "harm" to stakeholders, and how they experience those harms (including the natural environment and competitors, which are sometimes not considered to be stakeholders, despite that they clearly "affect and are affected by" the actions of firms, as Freeman's original definition of a stakeholder goes.[60] Investigating in detail the extent to which corporate behavior, internally and externally, is actually competitive or cooperative is another potentially fruitful research avenue.

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