

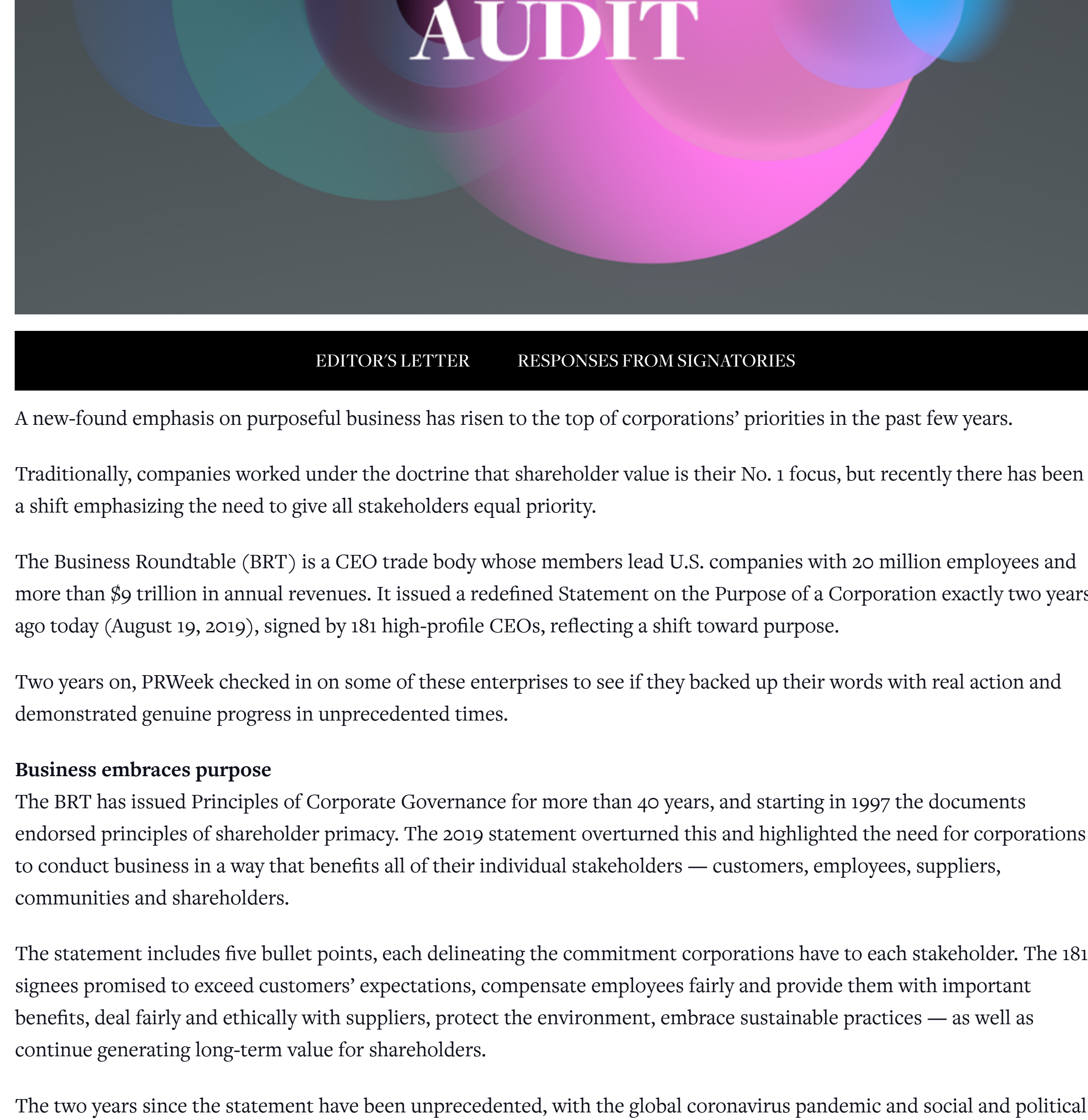
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Feature

# Statement of purpose report card

Two years after the Business Roundtable sought to redefine the core purpose of a corporation, PRWeek checks in on how the signatory companies have fulfilled — or have yet to meet — their promises.

by Sabrina Ortiz / Added 12 hours ago



A new-found emphasis on purposeful business has risen to the top of corporations' priorities in the past few years.

Traditionally, companies worked under the doctrine that shareholder value is their No. 1 focus, but recently there has been a shift emphasizing the need to give all stakeholders equal priority.

The Business Roundtable (BRT) is a CEO trade body whose members lead U.S. companies with 20 million employees and more than \$9 trillion in annual revenues. It issued a redefined Statement on the Purpose of a Corporation exactly two years ago today (August 19, 2019), signed by 181 high-profile CEOs, reflecting a shift toward purpose.

Two years on, PRWeek checked in on some of these enterprises to see if they backed up their words with real action and demonstrated genuine progress in unprecedented times.

### Business embraces purpose

The BRT has issued Principles of Corporate Governance for more than 40 years, and starting in 1997 the documents endorsed principles of shareholder primacy. The 2019 statement overturned this and highlighted the need for corporations to conduct business in a way that benefits all of their individual stakeholders — customers, employees, suppliers, communities and shareholders.

The statement includes five bullet points, each delineating the commitment corporations have to each stakeholder. The 181 signees promised to exceed customers' expectations, compensate employees fairly and provide them with important benefits, deal fairly and ethically with suppliers, protect the environment, embrace sustainable practices — as well as continue generating long-term value for shareholders.

The two years since the statement have been unprecedented, with the global coronavirus pandemic and social and political unrest. It has been more critical than ever for corporations to do what they promised and take care of all stakeholders during these trying times.

### Checking on purpose progress

To assess the impact of the BRT statement on corporations, PRWeek reached out to signees in different business sectors with a six-question survey covering changes put in place to benefit each of the five key stakeholders and how they spent the proceeds of the Trump administration's Tax Cuts and Jobs Act of 2017.

Out of 50 companies contacted, 32 responded, 14 submitted answers to the survey and 17 were non-responders. State Farm was listed on the Business Roundtable statement as a signee, but was included through a clerical error, which was corrected by the BRT.

Companies that responded showed commitment to all stakeholders and put in place different measures to deliver on these promises.

### Customer focus

To create more value for customers, corporations invested in better products, created a more inclusive environment and advocated for social change and human rights.

Many corporations helped their customers combat the impact of COVID-19 and the BRT feels companies kept their word and adhered to the targets they signed up to.

"Two years later, and through a period of unprecedented crisis, company after company has upheld their commitment to work for the benefit of all stakeholders," says BRT spokeswoman Jessica Boulanger.

"Faced with the pandemic, companies retooled operations to fill critical medical supply shortages, gave generously to support their communities and delivered bonuses and raises to frontline workers.

"Some companies developed COVID-19 vaccines and led distribution efforts, with others continuing to lead efforts to increase vaccine uptake across the country."

CVS administered more than 23 million COVID-19 tests and nearly 24 million vaccinations. ExxonMobil increased its production of high-demand products, including isopropyl, a key component for hand sanitizer.

Pfizer progressed COVID-19 vaccination trials in record time while trying to facilitate access to the vaccine. And IBM helped organize the High Performance Computing Consortium to equip scientists around the world with free access to super-computing capacity in support of COVID-19 research.

Citigroup showed its support for LGBTQ+ consumers by introducing the True Name feature for credit card customers in the U.S., in which transgender and non-binary people can now request a new Mastercard credit card with their self-identified chosen first name.

### Employees top of mind

To prioritize their people, companies took into account the needs of customers in their daily lives, inside and outside the workplace.

Brands such as Chipotle raised its minimum wage. "We believe in investing in the overall wellness of our employees by offering competitive starting wages of \$15/hour on average, as well as robust benefits that address physical, mental and financial health," said the fast casual restaurant chain in the PRWeek survey.

As of March 2021, the average hourly wage for Walmart in the U.S. was over \$15.25 per hour. Wells Fargo also raised its minimum wage to \$15 an hour. CVS committed to hiring 50,000 full-time, part-time and temporary roles across the country to better service its consumers during the pandemic.

Citigroup took into account the mental health needs of its people with a 12-week sabbatical program in which employees can choose to explore outside interests or spend two to four weeks working with a charitable institution. It also helped employees attempting to expand their families with the reimbursement of expenses related to adoption or surrogacy up to \$30,000.

"During the latest chapter in our country's struggle for racial equity, CEOs also stepped up by making new commitments to ensure diversity, equity and inclusion in their companies and by pressing Congress to find common ground on policing reform," says Boulanger.

Since 2019, IBM increased promotions of its employees from underrepresented minorities, with improvements ranging from 3.1% to 27%. Of all promotions globally in 2020, women represented 36.6%. Nonexecutive promotions for Black IBM employees increased 1.3% and 2% for Hispanic IBM employees.

### Procurement principles

In order to provide value to suppliers, companies took measures to support their growth. Chipotle committed \$5 million over five years to help remove barriers, enable the next generation of farmers and ranchers to succeed and reinvigorate the farming industry. Walmart is supporting American manufacturing by spending an additional \$350 billion on items made, grown or assembled in the U.S. over the next 10 years.

Other companies opted for clearly written, mutually beneficial procurement policies. HP introduced a procurement management process aimed at guaranteeing fair treatment of suppliers. "When it comes to human rights, our stance is clear and uncompromising. It applies to everyone. Every employee, every customer, every supplier," says Karen Kahn, head of corporate affairs and COO at the computer hardware company.

Citi introduced diversity goals and embedded them in its supplier selection processes, with every bid over \$250,000 in value requiring the consideration of diverse suppliers.

### Race to save the planet

Advances toward sustainability and protection of the environment were driven by efforts companies made in purchasing more sustainable goods, recycling, composting, properly disposing of waste materials, greenhouse gas emission reduction commitments, conserving energy and utilizing renewable energy.

Most notable are the efforts of companies who rely on the utilization of fossil fuels, such as United Airlines and ExxonMobil.

United recognizes the role aviation plays in climate change and committed to becoming 100% green by 2050 by reducing 100% of greenhouse gas emissions. United also holds nearly half of all publicly announced purchase commitments for sustainable aviation fuels, and has invested more than \$30 million in California-based sustainable fuel producer Fulcrum BioEnergy.

ExxonMobil's image took a knock in June when one of its lobbyists was recorded on camera telling an undercover Greenpeace activist it aggressively fought climate science, but the energy giant supports two carbon capture and storage initiatives: a project with Air Liquide, Borealis, TotalEnergies and Yara to study how to help decarbonize the industrial basin of Normandy in France and a memorandum of understanding to participate in the recently announced Acorn carbon capture and storage project at the St. Fergus complex in Peterhead, Scotland.

Exxon is also expanding its renewable fuels agreement with Global Clean Energy Holdings and creating ExxonMobil Low Carbon Solutions to commercialize and deploy emission-reduction technologies.

### Spending the corporate tax windfall

In 2017, former President Donald Trump's Administration passed the Tax Cuts and Jobs Act, which reduced top corporate income tax from 35% to 21%. The intention was to stimulate the economy and create more jobs.

In reality, many corporations used these funds to purchase share buybacks. Companies utilized the funds they saved from decreased taxes to increase value for shareholders — rather than investing in jobs, new technology and equipment. This tends to inflate stock prices and benefit the corporation and its shareholders, rather than employees or customers.

Americans for Tax Fairness, an organization that supports a tax regime that works for all Americans, compiled data showing that since the new law passed on December 20, 2017, Fortune 500 corporations spent 149 times as much on stock buybacks as workers' bonuses and wages, with 177 companies increasing stock buybacks by \$927 billion, while workers received \$6.2 billion in one-time bonuses and wage increases.

Of the 14 corporations that responded to PRWeek's survey, three skipped the question on how they spent their extra funds from lower corporate taxes.

Chipotle said it utilized the money to build and open new restaurants, hire and provide benefits to thousands of new employees and support digital growth.

UPS added 89,000 permanent jobs to its network since 2017. It spent nearly \$12 billion on its U.S. facilities, including new buildings, expansions and upgrades, as well as investing in sustainable vehicles and alternative fuels. It purchased 14 Boeing 747-8 cargo jets and four new Boeing 767s, which aided efforts to efficiently move personal protective equipment and vaccines during the COVID-19 pandemic.

Walmart increased the starting wage rate for all hourly workers in the U.S. to \$11, expanded maternity and parental leave benefits by providing full-time hourly associates in the U.S. with 10 weeks of paid maternity leave and six weeks paid parental leave, and provided a one-time cash bonus for eligible staffers of up to \$1,000. It also created a new benefit to assist full-time hourly and salaried workers with adoption expenses, providing \$5,000 per child to fund adoption agency fees, translation bills and legal or court costs.

Pfizer significantly increased its investments in the U.S., allocating \$100 million for a one-time bonus paid to all non-executive workers, as well as a \$200 million charitable contribution to programs that aim to improve healthcare delivery. Pfizer made two contributions to its U.S. pension plan, \$500 million in 2018 and \$1.25 billion in 2020. From 2018 to 2022, Pfizer also plans to invest approximately \$5 billion in capital projects in the U.S., including strengthening its domestic manufacturing presence.

Besides raising the minimum wage, Wells Fargo spent \$400 million on donations to community and nonprofit organizations in 2018 in support of financial health, small business growth, housing and sustainability in underserved communities. This was an increase on 2017 when philanthropy investment totaled approximately \$286 million.

### PRWeek's verdict: Work in progress

There's no denying that progress has been made by some entities to expand value to other stakeholders apart from shareholders. Companies stepped up, especially at the height of the pandemic, to look after their people, establish more sustainable minimum wage levels, grow new jobs, invest in technology and manufacturing.

However, it was noticeable that a big percentage of the corporate tax windfall accruing from the Tax Cuts and Jobs Act seemed to find its way to shareholders through buybacks rather than fulfilling the "jobs" part of the legislation.

It also shows questionable commitment that many of the 50 companies contacted by PRWeek that pledged to do better and signed the BRT statement didn't respond to a short survey about how they backed up their words with actions.

The following companies declined to participate: American Airlines, Bank of America, Chevron, Coca-Cola, Ford Motor Co., Lockheed Martin.

These failed to respond: AmerisourceBergen, Apple, AT&T, Caterpillar, Cigna, Centene, Deere & Company, FedEx, General Motors, Hanesbrands, Intel, Marriott International, Mattel, McKesson, PepsiCo, Procter & Gamble, The Home Depot.

These responded but didn't send answers: 3M, Amazon, Comcast, Fox Corporation, Honeywell, Walgreens Boots Alliance.

So while business is undoubtedly taking purpose much more seriously than it has done in the past, especially since the BRT Statement on the Purpose of a Corporation, it is still putting the building blocks in place for each of the five criteria and is reluctant to shout too loud about its progress.

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## Purpose in an unprecedented context

COVID-19 induced a recession that saw 22 million U.S. jobs disappear but mercifully fell short of expectations by only lasting through March and April 2020, according to the National Bureau of Economic Research.

But it was followed by a period of inflation during which the consumer price index was up 5.4% compared with a year ago. According to the U.S. Bureau of Labor and Statistics, this is the largest 12-month increase since a 5.4% increase for the period ending August 2008 during the financial crisis. And unemployment continues to spike, at 5.9% in June this year (9.5 million people), compared to 14.8% in April 2020, the highest rate since data collection began in 1948. In February 2020 the rate was 3.5%, the lowest for five decades.

Despite this, America's economic bounce back in 2021 is forecast to be the strongest for 30 years, driven by a federal government fiscal stimulus larger than anything since World War II. Employers in many sectors actually face talent shortages due to women leaving the workforce at record levels, continuing health concerns around COVID-19 and new variants and people reassessing their priorities after a life-changing year.

Employees in sectors including retail, hospitality, agriculture and manufacturing have struggled to receive fair compensation, with the federal set minimum wage of \$7.25 established in 2009 making it challenging for many Americans to sustain themselves, though some states introduced raises ranging from \$12.50 to \$15.00 per hour.

The Economic Policy Institute states that a full-time federal minimum wage worker today earns 18% less than their counterpart at the time of the last increase in 2009, after adjusting for rising costs of living.

According to the Center for American Progress, women have been disproportionately harmed by job losses, resulting in nearly 1.8 million fewer women in the labor force as of May 2021 compared to before the pandemic.

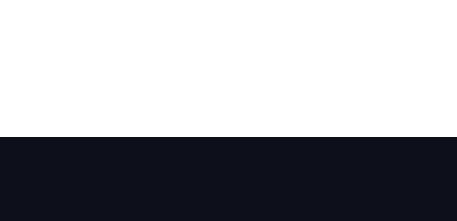
For their part, suppliers often find themselves at a disadvantage when dealing with big corporations that have inflexible procurement policies.

The most common payment terms are net 30 days according to the American Purchasing Society, yet companies that signed the BRT statement such as Procter & Gamble pay net 120 days for all external business partners domiciled outside the European Union, and net 75 days within the EU.

Small suppliers have little chance of demanding payments from big corporations that hold leverage over them. According to financial software company FactSet, Amazon generated 10% or more of 21 public companies' revenues. This growing market power has made it a tough negotiator for suppliers.

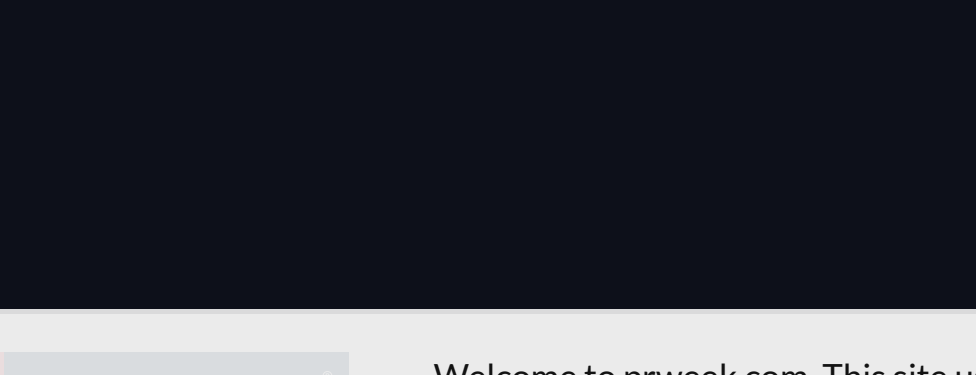
In terms of the environment, many corporations are locked into systems that are difficult to extricate from, including fossil fuels and carbon dioxide emissions. A 2017 report by the Carbon Disclosure Project showed that, since 1988, 100 companies are responsible for 71% of global greenhouse gas emissions.

### Agency Diversity North America United States

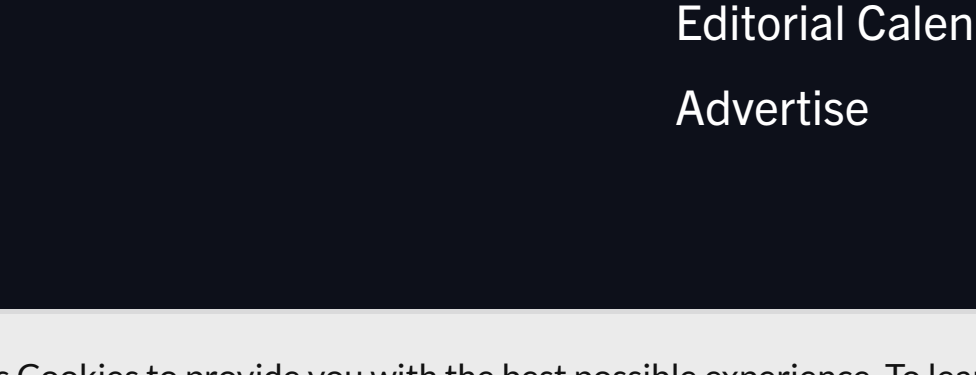


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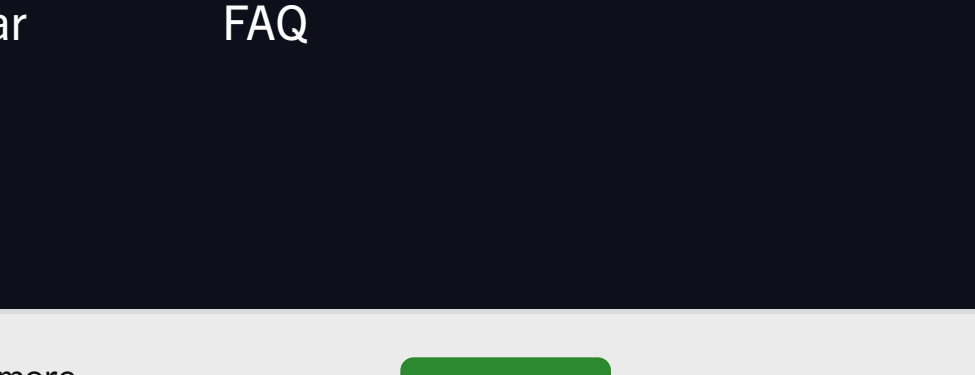
1-3 of 10



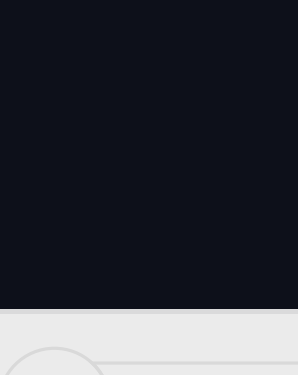
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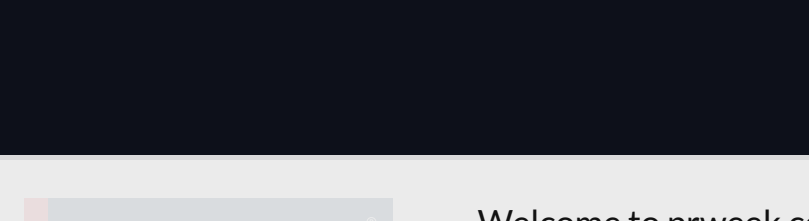


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