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Corporations to the Rescue: A New Stakeholder Paradigm? An Overview for U.S. Corporations & Financial Institutions

Elizabeth S. Cooperman
University of Colorado Denver, Business School, Denver, Colorado

A B S T R A C T

Whether corporations should intervene when governments fail to act on important public issues is an interesting question. With considerable political discord in the U.S. many CEOs have stepped up as social activists by expressing approval or disapproval of public policies providing a platform for discussion to encourage positive government actions. Businesses and major financial institutions have also engaged in environmental activism as well. This paper provides a discussion of a paradigm shift from the single role of corporations to maximize shareholder wealth to considerations for multiple stakeholders, and new roles that CEOs of financial institutions and corporations have taken on including acting as social and ethical mediators for important public policy issues, focusing on key issues in the U.S.

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1. Introduction

In recent years with issues of social-economic inequality, climate change, political dissonance in the U.S., and the growth of social media and socially and environmentally-conscious millennial and Gen Z generations as employees and consumers, many corporations are engaging in social, environmental, and political issues. In addition, many socially and environmentally conscious CEOs are speaking out on major issues, and encouraging their employees, and customers to be activists as well for key political, social, and environmental issues. New, more flexible socially focused organizational forms have also emerged. This includes the rapid growth of Benefit Corporations (B-corps), that incorporate both social and environmental as well as profit goals, and are legally required to consider the impact of their decisions on all stakeholders (i.e., customers, suppliers, community, and the environment). Today there are approximately 2,614 companies in 150 industries, and 60 countries (B-Corp, 2018). Many states in the U.S. also allow new hybrid forms of organizations, such as a L3C (Low-Profit Limited Liability Company (LLC) that allow firms to access funds from private foundations and other tax exempt sources, and a Flexible Purpose Corporation, requiring boards and managers to agree with shareholders on one or more social and environmental purposes. Other hybrid organizational forms have evolved globally that allow the inclusion of corporate philanthropic, micro-financing programs, and other social functions (Battilana, Lee, Walker, and Dorsey, 2012).

These trends contrast with financial theory whereby the traditional sole goal of corporations is to maximize shareholder wealth, with economic incentives and other corporate governance mechanisms used to encourage managers to act solely in shareholders' best interests (e.g., Fama and Jensen, 1983; Jensen and Meckling, 1976). Waltzer and Elliott (2018) point out that in the aftermath of financial and accounting scandals over the past four decades and their resulting bankruptcies and huge taxpayer losses, as well as major technological changes, and global challenges, the single goal of share price maximization is lacking, necessitating a paradigm shift to a more relevant systems theory approach to ensure connectivity between management and investors, employees, management, and other stakeholders, and governments.

MacCormac and Haney (2012) similarly state that the corporate form of organization was not designed to promote corporate social responsibility, and that the goal of shareholder wealth maximization is often used at the expense of employees, local communities, and the natural environment as stakeholders. They point out that a change in corporate goals is particularly necessary with the crucial threat of dramatic climate change, necessitating corporations to integrate environmental sustainability across their operations. This integration in turn can generate cost savings, increase a business's market share, and generate consumer and employee support. They point out that new hybrid forms of organization with both profit and non-profit goals and/or joint ventures with non-profits and other community organizations may be better for achieving profit and environmental, social, and governance (ESG) goals.

Marc Benioff, CEO of Salesforce.com similarly points out that a shift has occurred whereby corporations are moving away from just a sole goal of shareholder wealth maximization to stakeholder value maximization that includes considering employees, customers, and communities as partners and stakeholders, with corporations needing to take responsibility for helping to solve problems in the economies and communities in which they operate to be successful (Gelles, 2018).

Serafeim (2018) addresses this new governance paradigm, whereby private sector firms have been formally called upon to help address and solve both global environment and social problems, mandated under the United Nations Sustainable Development Goals (SDGs) (signed by 193 countries in 2015). Previous market failures and free rider problems allowed corporations to create large negative externalities. Consequently, collaborations are needed among corporations, large institutional investors with a long-term perspective, and smaller activist funds and retail investors to incentivize corporations to take actions in correcting these.

Richard Edelman, CEO of Eponymous Public Relations Company points out a sea change whereby CEOs (now backed by expectations of consumers, employees, and large institutional investors) are now more comfortable in new roles as social activists, including publicly avowing their opinions on important issues surrounding controversial U.S. political debates. CEOs, in particular, in the past few years, being backed by large institutional investors and their customers, have been more willing to voice their opinions on important environmental and social issues that have not been acted on, with the U.S. Congress failing to enact major legislative reforms on these. In a large, global survey by Edelman Research, 75 percent of investor responders affirmed that corporations had an obligation for taking public stances on social issues relevant to their business environment, and 57 percent of consumer responders stated that they would buy or boycott companies based on positions taken on these issues (Edgecliffe-Johnson, 2018; Kline, 2018).

This paper examines these new trends and roles for corporations and major financial institutions in incorporating ESG across their organizations and in serving as social and environmental activists. Section 2 discusses a paradigm shift for a larger corporate purpose, and how demographic and societal changes encourage a larger social/ethical role for financial institutions and corporations. Section 3 gives an overview of the sustainability role that financial institutions and businesses have taken on. Section 4 provides an overview of a new trend where some corporations put employees to use as social and political activists to promote their firms. In Section 5, CEOs' new role as social, environmental activists is discussed, along with recent actions taken by CEOs in the U.S., followed by a summary and conclusion in Section 6.

2. The U.S. Subprime Crisis, Climate Change & Demographic

Changes Supporting a Societal/Ethical Role for Corporations

In the aftermath of the U.S. Subprime Loan Crisis, Luigi Zinglaes (2015) in his presidential address to the American Finance Association provided a cautionary warning to the financial profession of being too complacent about shortcomings for the profession including shirking of ethical and social roles, with a large gap in public perception and trust for the finance profession in the aftermath of the global financial crisis that could affect the financial system from a political viability and efficient functioning perspective.

Consistent with this view, *American Banker's* Reputation Institute's survey of consumers showed a large drop in the reputation index for banks in 2018, after a previous rise over the past two years, with responders expressing concerns over financial institutions lacking a societal impact and having poor engagement with customers and employees as stakeholders. Financial Institutions in the survey with the highest ratings were more engaged with customers and more socially active, such as USAA, a diversified financial services firm serving U.S. military members and retirees, and their families, noted to provide excellent customer service and benefitting its communities by spending 50 percent of its philanthropic gifts supporting families of military personnel facing challenges (Garver, 2018).

Disillusionment with the lack of social and environmental actions by businesses is particularly strong for the millennial and Gen Z generations who tend to be more focused on ethics and social and environmental issues. In a Deloitte's 2018 Survey of 10,000 millennials across 36 countries, and over 1,800 Gen Z-ers from six different countries, responders expressed pessimism about prospects for social and political progress, safety, social equality, and environmental sustainability, and faulted corporations for not being positive change agents, as well as for failing to train employees for advancing industry 4.0 (i.e. the growth and disruption of new technologies including artificial intelligence and robotics) (Deloitte, 2018).

Similarly, a 2017 Cone Communications survey found that 87 percent of U.S. consumers surveyed favored purchases from companies that advocated for issues of shared concerns, and over 76 percent agreed that they would boycott a company found to support an issue at odds with their values. About 94 percent of Gen Zers also believed that companies should help to address social and environmental issues, with 87 percent of millennial responders and 86 percent of the general population surveyed supporting this premise (Choi, 2018). Research conducted at the Haas School of Business at Berkeley found that 90 percent of millennials would switch brands to purchase one that is associated with a worthy cause (Chong, 2017).

A Morgan Stanley Institute for Sustainable Investing survey of active individual investors also found that 86 percent of millennials were interested in sustainable investing, with a preference for mutual funds that provided both financial returns at market rates and also pursued positive social and/or environmental impacts, with 90 percent stating that they wanted a sustainable investing option for their 401(k) plans. For those surveyed, 75 percent of millennials thought their investments could influence climate change and 84 percent felt that their investments had the power to reduce poverty. The survey report notes that the millennial and Gen Z generations will be quite influential with their investments in the future, given an expected $30 trillion wealth transfer to them by Baby Boomers in upcoming decades (Choi, 2018).

The business and financial education of millennials and Gen Z-ers also includes a greater emphasis on ethics, environmental, social, and governance (ESG) issues. Under the United Nations Principles for Responsible Management Education (PRME) (UNPRME, 2015), business schools are asked to embrace ESG factors as a key component of curriculum. The Association to Advance Collegiate Schools of Business (AACSB) under its Standard 9 for social responsibility also encompasses sustainability, diversity, and ethical behavior as part of its *General Business Knowledge Areas* (AACSB, 2018). The CFA Institute added an emphasis on ethical decision-making and knowledge of ESG/Sustainable Investing, with an ESG Guide for Investment Professionals launched in November 2015. This guide was in response to growing interest by investment professionals for better ways to incorporate ESG issues for investment decisions. In a global CFA survey of investment professionals 75 percent of respondents stated that they considered ESG issues in their investment process (CFA, 2015, 2018; Cooperman, 2017).

Battilana, Lee, Walker, and Dorsey (2012, p. 4) point out that the goal of stockholder wealth maximization became questionable with the global financial crisis making it clear that social value and commercial revenue creation could both *undermine and reinforce each other*. A new understanding has emerged that corporations have a duty to be responsible for the negative externalities that they create and a duty to create positive externalities that benefit employees, customers, and communities that have a role in the success and value of a corporation.

With widespread social media, consumers also have had a greater voice and greater ease in organizing and engaging in boycotts and protest movements to compel corporations to act ethically, socially, and environmentally, as well as politically. Institutional investors and other social activist investors also have greater ease in submitting stockholder proxy resolutions for votes at annual meetings of corporations. This is particularly the case in the U.S. under SEC Rule 14a-8 of the Securities Act of 1934 which allows shareholders with a minimum ownership of $2,000, or 1% of a firm's value, holding ownership continuously for one year to submit proxy proposals if they meet other SEC requirements. In the U.S. non-profit groups including Ceres and As You Sow, facilitate these resolutions, with many environmental health and climate change resolutions successfully negotiated by means of shareholder withdrawals. During 2011 to 2018, major institutional investors have also engaged in many major letter and shareholder climate change resolution campaigns targeting major greenhouse gas emitters (Byrd and Cooperman, 2014, 2017, 2018).

Legal challenges have also been made over the concept of stockholders as the sole owners of a firm, and the sole fiduciary duty of directors to act only in the interests of shareholders. As Chandler (2015) points out, these challenges are associated with the view that shareholders do not own a firm (the UNPRME's Principal 2), since other stakeholders (employees, creditors, managers, communities and local governments) are also responsible for a corporation's success. Chandler observes that recent legal ruling support this stakeholder view, with the UK Companies Act of 2006 requiring board of directors to act to benefit all stakeholders for the long-term success of a corporation. Also, with rapid, flash trading and trading by bots, many shareholders may own a company's stock for a brief time period, having little interest in a corporation's long-term viability. Therefore, to maximize the long-term viability of a corporation, close relationships with a broad group of stakeholders central to a firm's mission may be necessary.

3. Corporations & Financial Institutions as Sustainability Leaders

3.1 Trends for a Stronger Environmental Focus for Corporations

In recent years many financial institutions and corporations have taken on a stronger sustainability focus including incorporating ESG issues in their business strategies and decision-making. Part of the motivation for corporations for a stronger sustainability focus is to become more profitable with greater energy efficiency reducing operating costs, and this focus provides opportunities to invest or develop new technology or products to mitigate climate change and other global socioeconomic problems. Also, sustainability offers branding opportunities and community engagement with customers, employees, and the community.

A sustainability focus for corporations has accelerated with greater environmental regulations in most countries, with the United Nations (UN) Paris Climate Agreement (to support holding global warming to no more than 2^{o}C above pre-industrial levels) coming into force on November 4, 2016, with 195 members of the UN Framework Convention on Climate Change signing on. Although the U.S. under the Trump Administration left the agreement, in the U.S. over 1,650 large corporations and investors signed on to the U.S. Climate Alliance to meet the goals of the U.N. Paris Climate Agreement and to accelerate policies to reduce carbon pollution and promote clean energy deployment. This includes a coalition of 16 states and Puerto Rico, and over 407 U.S. Climate Mayors (U.S. Climate Alliance 2018). Similarly, business executives in the U.S. renewed this pledge in 2018, joining a broad group of 200 U.S. businesses, governors and mayors, investors, universities, health care organizations, and other groups, ahead of the Global Climate Summit in 2018, with 3,539 leaders representing 169 million people and $9.46 trillion in GDP across 50 states, declaring their continued support for climate action to meet the UN Paris Climate Change agreement. About 500 companies have also adopted science-based emission targets in line with the Paris Accord pledge (We Are Still IN, 2018; Plumer, 2018; Barboza, 2018).

Sustainability ratings for investors to evaluate corporations are also widespread including sustainability and ESG ratings, such as Bloomberg (which includes information on a corporation's Scope 1 and Scope 2 emissions), Yahoo Total ESG Scores, Sustainability, and Controversy Level scores, Corporate Knights Global 100, Thomson Reuters Research Data, Morningstar, CSRHUB, CDP (formerly the Carbon Disclosure Project), Newsweek Green Ranking, and the FTSE4Good Index and the Dow Jones Sustainability Index (DJSI). ESG ratings agencies also include MSCI ESG and Sustainalytics, and RepRisk (ISS), among many others. These ratings and indexes are widely used by institutional investors, with increased interest in nonfinancial, ESG information, including stranded asset risk (the risk of a valuation change for fossil fuel company stocks if large reserves become unburnable to avoid a rise in global temperatures). More than 60 percent of investors in a 2016 EY (Ernst & Young) survey reported that they decreased or monitored closing their holdings based on stranded asset risk (EY, 2017).

Thousands of corporations have also issued Corporate Social Responsibility (CSR) and/or Sustainability reports including 85 percent of the S&P 500 in 2017. For KPMG's 2017 Survey of Corporate Responsibility Reporting, two-thirds of the companies surveyed issued CSR reports. Also, as of 2017, about 67 percent of the world's largest companies (G250) currently disclose targets to cut their carbon emissions, and about 1,900 companies worldwide report their carbon emission data to the CDP (G&A Institute, 2017; KPMG, 2017; Werner, 2018).

A joint research report sponsored by the World Wildlife Fund (WWF), Calvert Investments, CDP and Ceres, "Power Forward 3.0" published April 25, 2017, reports that 48 percent of U.S. Fortune 500 companies had at least one green house gas reduction or clean energy target. In 2016 alone, 190 of these companies had close to 80,000 emission-reducing projects, with $3.7 billion in savings. For the Fortune 100, 63 percent had set one or more clean energy targets. In the U.S. in 2018, 24 companies including Google and Bank of America, Citicorp, Ikea, and Facebook promised to power their operations with 100 percent renewable energy in the future. AT&T, Walmart, Microsoft, and Apple also signed large deals in 2018 for corporate purchasing of renewable energy to meet environmental goals. Key problems, however, in the U.S. are a laxity in regulations and a lack of rigorous standards, which can lead to under-reporting of carbon emissions (WWF, 2017; Tabuchi, 2017; Crooks, 2018a).

Even in countries that are members of the UN Paris Climate Accord that have mandates on carbon emissions and carbon trading, there are problems in mitigating carbon emissions. The Global Commission on the Economy and Climate (GCEC) with many chief executives included, such as the CEOs of Unilever, Royal Dutch Shell, HSBC, and Schneider Electric in September 2018 called for a higher price of $40 to $80 per tonne on carbon dioxide emissions by 2020 (much higher than the price of $23.70) for allowances in the EU's emission trading system, avowing that not enough progress was being made in reducing green house gas emissions to limit global warming (Crooks, 2018b).

Another trend among multinational corporations including for their U.S. operations is the use of an internal carbon price to make investment and business operating decisions, with the CDP noting that in 2017, 1,400 companies factored an internal carbon price into their business plans (CDP 2018). Many U.S. companies in 2016, including some major energy companies, lobbied for the U.S. government putting a price on carbon to provide a stable regulatory environment. Concerns exist that without a national price on carbon in the U.S., internal shadow carbon prices used by corporations may be too low and regulations too weak to shift investments towards clean energy and away from fossil fuels that have high carbon emissions (Nesbit, 2016).

3.2 Financial Institution Sustainability Efforts

As noted by Achim Steiner (2015), the United Nations Under Secretary General and Executive Director of the UN Environment Program (UNEP) a quiet revolution is taking place in the aftermath of the global financial crisis for sustainable finance in terms of a transition to a low-carbon, green economy. In 2002, the Equator Principles (EP) started with 10 global banks agreeing upon guidelines on social and environmental issues on loans to developing countries. Today EP encompasses all project loans of $10 million or greater, across different industry sectors and financial institutions. EP provides a credit risk management framework to assess and manage environmental and social risk for project transactions. As of August 2018, 94 EP Financial Institutions (EPFIs) operating in 37 countries adopted the EP, covering the majority of international project finance debt within developed and emerging markets (EP 2018; Cooperman, 2017).

Major banks have also reduced their financing of high carbon energy projects in recent years including HSBC, which as of 2011 no longer provides funds for new coal-fired power plants in 78 developed countries and in the future in all countries, except Bangladesh, Indonesia, and Vietnam on a case-by case-basis. HSBC in 2018 also announced it would no longer provide financial services to any new offshore oil and gas projects in the Artic or to oil sands projects.

ING, BNP Paribas, and BBVA also set similar commitments, and Allianz, a major insurance company, pledged to stop selling insurance policies to coal mines and single coal-fired powered plants. Allianz also announced it would remove all coal risks from its business by 2040 and stop investing in companies that did not lower their green house gas emissions. Other European insurance companies, AXA and Zurich, designed new policies to make it more difficult for coal companies to purchase insurance coverage (Allianz 2018). Lloyd's of London is also facing pressure from environmental groups to no longer insure risky coal projects, based on a UK government goal to end all-coal-fired power generation from 2025 on. The Royal Bank of Scotland in May 2018 stopped its financing for environmentally damaging energy and mining projects in response to investment fund manager concern about the impact of climate change on their investments. Mark Carney, Governor of the Bank of England warned the banking system to protect itself from stranded asset risk and a potential carbon asset bubble that could destabilize the financial system in the future (Ambrose, 2018; Sengupta, 2018; Megaw, 2018).

A number of U.S. financial institutions recently made decisions to reduce their financing for coal, with coal as the largest emitter of carbon of all fossil fuels. PNC in 2015 announced it would stop financing firms with at least half of their coal production from mountaintop coal removal. Bank of America, Wells Fargo, Citgroup, and Morgan Stanley reduced or stopped lending to coal companies in 2015 and 2016 (Shen, 2016).

In response to the U.S. leaving the U.S. Paris Climate Accord under the Trump administration, JP Morgan Chase increased its sustainability efforts, including a dramatic reduction in energy use for its offices and branches by 2020 and a $200 billion financing pledge for wind farms and other renewable projects for the following eight years (Kline, 2018). Wells Fargo (2018) also announced in April 2018 that it would make a $200 Billion Sustainable

Financing Commitment, with more than 50 percent focused on clean technology and renewable energy transactions directly supporting the transition to a low-carbon economy, and that the company would also commit to detailed transparency for reporting the carbon intensity of its credit portfolio, as well as regularly reporting on the social, environmental, and economic impacts of its lending.

In August 2018, Bank of the West, a subsidiary of BNP Paribas, announced that it would divest from business activities detrimental to public health and the environment including companies primarily engaged in oil and gas from shale or tar sands, oil and gas exploration production in the Artic, coal mines or coal-fired plants not actively involved in low-carbon energy transitions, and tobacco-related businesses (Associated Press, 2018a). According to a Rainforest Action Network, however, some major banks have returned to lending to coal companies that came out of bankruptcy, with a combined $1.5 billion of coal-related loans made in 2017 by Bank America, Citicorp, Goldman Sachs, JPMorgan Chase, and Morgan Stanley (Flitter, 2018).

Major banks have also been pioneers in making major sustainability efforts. For instance, Wells Fargo in 2017 met 100 percent of its global electricity needs with renewable energy. Wells Fargo also met its 2020, 45 percent carbon-reduction goal from a 2008 baseline, as well as meeting goals focused on water and energy efficiency, waste reduction, and LEED certification. Wells Fargo also supports a $30 million philanthropic program with the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) to facilitate the path to market for promising clean technologies (Wells Fargo, 2018). Major banks including Citicorp, Bank of American, National Westminster Bank, Tridos, among many others, have allocated large loans for wind and solar power and renewable energy projects.

Large pension funds and institutional investors have also engaged in letter writing campaigns and stockholder resolutions targeting major fossil fuel companies requesting that major carbon emitters address their stranded asset risks and be more transparent for their plans to adapt to a less fossil fuel dependent world in the future. In May 2018, for instance, pension funds for the Church of England and the UK Environment Agency and a group of 27 institutional investors managing $7.9 trillion in combined assets supported a shareholder resolution that would require Royal Dutch Shell to adopt tougher carbon emission reduction targets to be aligned with the UN Paris Climate Agreement. Although the motion did not pass, the institutional investor group sent a strong signal urging corporations to do more in reducing their carbon emissions and to be more transparent in their plans for this reduction (Bousso, 2018; Ward and Hook, 2018).

4. Employees and Customers Put to Use as Social and Political Activists

Hertel-Fernandez (2018) in a recent *Harvard Business Review* article entitled "*A Different Kind of Corporate Activism*," discusses the growing trend for companies to recruit employees to act for political causes that a corporation favors, noting that this is easier to do today with widespread corporate intranet communications, the decline of unions, and fewer federal regulations and the existence of court cases allowing this type of activity. Such activity includes favoring political issues that enhance a corporation's profitability, such as UPS's hosting town halls with Republican legislators to promote tax cut legislation in 2017, and Murray Industry requesting its coal mine workers to attend a Romney rally during the 2012 election (Hertel-Fernandez, 2018a). Hertel-Fernandez (2018b) in an article in *VOX* also points out that this trend is concerning, by creating a problem of potential or actual coercion by bosses, that can build corporate power over national, state, and local politics. Hertel-Fernandez performed a nationally representative survey of workers and managers and top executives in 2015, and of those surveyed, 25 percent of U.S. employees responded that they had received either political messages or requests from their top managers and supervisors.

Companies have also asked employees to write letters to key politicians to support their company's stance on an issue. As well, companies have requested employees to tweet about their job satisfaction and benefits to offset unfavorable online chatter about warehouse working conditions (Associated Press, 2018b). Other engagement focuses on providing more positive solutions for social issues, such as in the wake of episodes of high profile racial police violence, Starbucks requesting its Baristas to write *race together* on coffee cups to encourage discussion on racial inequality in the U.S.

Companies have also asked customers to join in on campaigns for social and political causes including major B-Corps that have a social purpose incorporated within their business plans. Ben & Jerry's, a certified B-Corp, for instance invites its customers through its website to join the Poor People's Campaign with the goal of unifying people to help transform society's political, economic and moral structures. Ben & Jerry's also worked in partnership with People for the American Way to prevent large corporate super PACS and other large money spenders to buy elections for corporate purposes under a "Get the Dough Out of Politics" Campaign. Ben & Jerry's website also provided information on three inspiring first-time political candidates for U.S. midterm election in 2018 including an Independent, a Democrat, and a Republican that could make a difference in the future, and the firm hired a corporate activism manager to urge customers to be more politically involved. Ben & Jerry's has used flavors to promote social causes including "Rainforest Crunch" designed in 1988 to help save the forests, "Yes Pecan" in 2009 commemorating the campaign slogan, "Yes We Can" with proceeds going to the Common Cause Education Fund, the "Hubby Hubby" flavor in 2009 supporting same-sex marriage legislation in Vermont, and the "Save Our Swirled" flavor in 2015 to support the 2015 Paris Agreement to bring attention to climate change, and "Pecan Resist" in 2018 with the message that citizens can peacefully resist recent government policies that are "regressive and discriminatory," with revenues from the flavor supporting four organizations working on the frontlines for peaceful resistance, "supporting values of inclusivity, equality, and justice for people of color, women, the LGBTQ community, refugees, and immigrants" (Ben & Jerry's, 2018; Peters, 2018; Wang, 2016).

5. CEO Activism

With the growth of social media, political debate across the U.S., and growing social and climate change concerns, stakeholders of companies including institutional investors, customers, and employees have demanded that companies and brands take a stand on social and political issues. In a recent survey by Sprout Social, a social media management and analytics company, two thirds of consumers surveyed felt it was very important or somewhat important for companies to weigh in on social and political issues, with only 11 percent stating that this was not at all important. Fifty-nine percent of consumers surveyed expected CEOs to respond on social and political issues and 52 percent for other executives to weigh in, which suggests that staying silent may not be acceptable (Oster, 2018).

Chatterji and Toffel (2016) in a *New York Times* article, "The Power of the C.E.O.," point out that over the past few years, some prominent CEOs have been successful as political activists by taking public stances on controversial issues. For example, the CEOs of Intel, Salesforce.com, and Unilever put pressure on Governor Nathan Deal of Georgia to veto a "religious liberty" bill that would have allowed faith-based discrimination against same-sex couples. Similarly, Apple's CEO, Timothy Cook and Indiana-based Angie's List's CEO, Bill Oesterle, and a number of other business CEO's spoke up against a "religious liberty" bill proposal in Indiana that would have allowed faith based discrimination. In response to this pressure, Indiana passed a revised version of the law that did not allow discrimination based on sexual orientation or gender identity.

Chatterji and Toffel (2017) did a detailed research study using survey data collected by Civic Science, a market-research company that collects thousands of survey responses each day from hundreds of third party websites. Their survey asked 3,400 respondents across the country if they supported Indiana's "religious liberty" law proposal with the question prefaced for some respondents with a statement by a CEO expressing concern for discrimination against gay men and lesbians. When respondents were provided with a CEO statement explaining why the bill discriminated, support for the law declined sharply. Respondents answered that they were also more likely to purchase a company's products if they agreed with the CEO's politics, suggesting that a brand with a political orientation similar to that of a company's customers could be attractive.

In the U.S. there has been debate among chief executives about the moral responsibility of corporations to fill the void left when Congress fails to act, by assisting their communities in confronting social and environmental challenges. For example, J.P. Morgan Chase's CEO, Jamie Dimon, stated that he and his corporation had both a moral obligation and vested interest in helping to solve society's challenges (Sorkin, 2018). Hamdi Ulukaya, the founder and CEO of Chobani also stated in a New York Times interview that being silent is viewed as "criminal" for a company these days, since such silence means that a company is not taking a stand, and not supporting its community in helping solve its problems (Gelles, 2018, p. 3). Timothy D. Lytton, a professor at Georgia State University, author of Suing the Gun Industry: A Battle at the Crossroads of Gun Control and Mass Torts, similarly points out that companies often face moral dilemmas, realizing that if they do or say nothing in response to a social problem, this can be as bad as saying the wrong thing (Pane, 2018).

Kline (2018) observes that in previous times CEOs rarely weighed in on polarizing topics; however with the election of Donald Trump and his engagement in controversial positions, including a rejection of climate science, anti-immigration policies, wavering on gun control laws, and a refusal to denounce white supremacists, corporations have received pressure from key socially conscious stakeholders to take stands on these issues.

The following subsections discuss actions taken by CEOs for different social/political issues including as follows: (5.1) Gun Control Issues; (5.2) Immigration and DACA; and (5.3) L.G.B.T. and Freedom of Expression Rights.

5.1 CEO Social Activism on Gun Control Issues

With over 300 mass shootings in the U.S. in 2018 alone, and particularly the killing in Parkland Florida of 17 Marjory Stoneman Douglas High School students and staff members on February 14, 2018, an angry public backlash for greater U.S. gun control regulations resulted. Student survivors of the Florida shooting initiated a large public response using social and traditional media, including a nationwide March for Our Lives rally on March 2018 that drew hundreds of thousands of protestors. The Parkland student activists also used social media, with online petitions and boycotts, targeting major corporations that offered discounts to or who did business with the National Rifle Association (NRA), with the NRA staunchly opposed to proposed tighter gun control regulations. These rallies, petitions, and public and private responses resulted in some state and local governments, including the state of Florida, tightening regulations on particular weapons and buyers. In response to potential boycotts, as well as taking a moral stand on the gun control regulation issue, many major corporations ended discount program and co-branding deals and investments tied to the NRA, including Hertz, Enterprise Holdings, Symantec Corp., Wyndham Hotels, and Best Western Hotels, among many others. Other retail companies selling guns or ammunition, such as Walmart, Dick's Sporting Goods, L.L. Bean, and Kroger, ended sales of some guns in their stores and/or tightened restrictions, such as no longer selling guns and high capacity magazines to anyone under 21, among others. Companies also made direct political appeals to Congress to enact common sense gun reforms, such as requiring universal background checks and banning assault weapons (Kline, 2018; LA Times, 2018; Sorkin, 2018; Pane, 2018).

Other actions by U.S. corporations in the aftermath of the Florida shooting included Delta and United Airlines no longer offering discounted fares to NRA members. Although Delta Airlines is one of Georgia's largest private sector employees, contributing $435 billion a year to the economy, this action resulted in a backlash by Lt. Gov. Casey Cagle of Georgia, a Republican presiding over the State Senate, holding a "A+" NRA rating, and other conservative law makers,, who voted to remove Delta's $50 million state sales tax exemption (Fausset and Hsu, 2018; Pane 2018).

Major financial institutions also initiated strong responses in support of stronger gun control regulations. Chubb, Ltd. ended its previous NRA-gun-owner insurance program for gun-related accidents, and Met Life ended its NRA member discount program. First National Bank of Omaha announced that it would not renew a co-branded Visa credit card with the NRA. Bank of America announced it would no longer finance combat-style rifles. Citigroup took an even stronger stance announcing that it would prohibit the use of its financial services and credit cards for the sale of firearms to customers not passing a background check and to customers younger than 21, and would refuse to do business with clients selling bump stocks and high capacity magazines. Citigroup's CEO Michael Corbat also put out a call to the banking industry to work together to help keep guns from getting into the wrong hands, and to create informal working groups to consider this issue (Pane, 2018; Kline, 2018; Sorkin, 2018).

Pay Pal, Square, Stripe, Intuit, and Apply Pay previously announced several years earlier that they would not allow their services for the sale of firearms, as a practice consistent with their values and the best interests of their customers. Other credit card companies (i.e.,Visa, Mastercard, and American Express), and credit card processors (i.e, First Data), and major banks (including JPMorgan Chase and Wells Fargo) were urged in the press to effectively set new rules for gun sales as well (Kline, 2018; Troise and Olson, 2018). Although Bank of America announced in April 2018 that it would stop financing military-style firearms for civilians, in May 2018 the bank recanted, contributing $43.2 million to a $193 million lending package funded by seven banks to help Remington as it emerged from bankruptcy (Reuters, 2018).

Black Rock, the World's Largest Asset Manager, acted as well, by announcing that it would request the gun weapons manufacturers and distributors (that it passively invests) in to examine if they are managing the risks associated with these weapons, and by exploring the launch of new funds that exclude firearms (Sorkin, 2018; Pane 2018; Kline, 2018). John Streur, Chief Executive of Calvert Research and Management, as a social and environmental activist and leader in ESG investing, with funding holdings in Kroger, requested that the supermarket chain not sell guns to children, threatening to file a shareholder resolution. Later, Kroger announced that it would not sell guns to customers under age 21 (Carvill 2018).

Reactions have varied concerning whether financial institutions have the right to place credit restrictions on customers based on social issues, with some critics, such as the Senate Banking Committee Chairman, Mike Crapo of Idaho, arguing in 2018 that banks should not attempt to replace legislators and policy. Wells Fargo's CEO at this time also stated that legislating should be left to Congress (Kline, 2018). An article in the *American Banker* in April 2018 notes the gun issue was a *lose-lose* issue for banks, regardless of their stance, with Citigroup and Bank of America facing heat from the Republican party for restricting services to gun sellers and manufacturers. At this time with Republicans controlling both houses, such action was noted as possibly having an effect on regulatory relief negotiations for banks. However, the article also points out that state-chartered banks in New York faced new potential regulations under new N.Y. Department of Financial Services guidelines that require weighing reputational risk and corporate responsibility factors in accessing bank relationships with firearm industry groups in the wake of mass shootings (Haggerty, 2018).

At this time, ten U.S. Senators (including Senators Dianne Feinstein of California and Brian Schatz of Hawaii) sent letters to major financial institutions including Wells Fargo, Morgan Stanley, TD Securities, JPMorgan, Mitsubishi UFJ Financial Group, US Bancorp, Cowen & Co, BBT, Regions Financial, BNP Paribas, and PNC Financial Services Groups, encouraging them to take a stand against gun violence by setting new guidelines for any financing for gun sales including: (1) required background checks on all gun sales, including intrastate online sales; (2) raising the minimum age of gun sales to 21; (3) preventing the straw purchases practice, whereby buyers use other people to purchase guns to conceal their identities; and (4) prohibiting the sale of high-capacity magazines, bump stocks, and assault style weapons (Feinstein 2018).

5.2 CEO Activism on Immigration and DACA

Many business leaders have expressed strong public criticism concerning several immigration issues under the Trump administration, including the phase out the proposed DACA (Deferred Action for Childhood Arrivals) program, the ban on residents from several primarily Muslim countries from entering the U.S., and more recently immigration policies separating children from their parents while refugees asylum applications were being considered. Lloyd Blankfein, serving at the time as CEO of Goldman Sachs, argued in a memo in January 2018 that the immigration ban was not only a bad policy, but also bad for business, and that the banking industry was proud of its diversity, with the success of Goldman Sachs dependent on attracting, retaining, and motivating people from diverse backgrounds and perspectives, to reflect the communities and culture in which it operates. A similar condemnation was made by several major bank CEOs to the proposal to end the DACA program that allows hundreds of thousands of young undocumented immigrants brought to the U.S. to work, study, and live in the U.S. The Bank CEOs noted that thousands of these young adults that could be forced to leave the country were currently working in the financial services industry. Brian Moynihan, Bank of America's Chairman and CEO, along with other major business leaders, urged Congress to end the uncertainty around DACA, noting the positive contribution of DACA dreamers to neighborhoods and communities across the U.S. (Kline, 2018).

Top business leaders and CEO members of the Business Roundtable, including Tim Cook of Apple, Ginni Rometty of IBM, Jamie Dimon of JPMorgan Chase, and Indra Nooyi of PepsiCo sent a letter in August 2018 to the Department of Homeland Security Secretary Kirstjen Nielson voicing the opinion that changes to the U.S.'s immigration policy were creating great anxiety for thousands of their employees including those who received degrees from U.S. universities, and those working in critical STEM fields. The letter pointedly stated that the changes in immigration policies under the Trump administration resulted in inconsistency and uncertainty for immigrant employees, forcing these employees to repeatedly renew temporary work visas, and threatening long-term employees who had proper authorization to work in the U.S. This uncertainty in turn had the potential to create disruptions in operations, higher costs, and keep talented, highly skilled individuals from pursuing careers in the U.S. (Bach, 2018).

5.3 CEO Activism on L.G.B.T. and Freedom of Expression Rights

In August 2017, a gathering of alt-right wing groups in Charlottesville, Virginia led to the injury of 30 people, and death of one counter protester when a white supremacist rammed his car in car into a crowd of counter protestors. When President Trump failed to condemn the organizers of the white supremacist rally, prominent CEOs spoke out, including Jaime Dimon, CEO of JPMorgan Chase, who in a memo to his staff publicly stated that statements made by President Trump blaming *both sides* for the violence at the rally was *unacceptable and* that "The evil on display by these perpetrators of hate should be condemned and has no place in a country that draws its strength from our diversity and humanity." Similarly Gary Cohn, President of Goldman Sachs, stated, "Citizens standing up for equality and freedom can never be equated with white supremacists, neo-Nazis, and the KKK." Other corporate leaders on President Trump's business advisory councils repudiated Trump's comments, resulting in two councils, consisting of top U.S. corporate leaders, being dissolved and later officially disbanded (Kline 2018; McGregor and Paletta, 2017).

When North Carolina's legislature passed legislation requiring transgender individuals to use bathrooms corresponding to their sex at birth, many business leaders for companies operating in North Carolina opposed this ruling, pointing out that this action would be detrimental to the state's economy. Accordingly, PayPal decided to drop its plan to build a second headquarters in Charlotte, the National Basketball Association (NBA) relocated its 2017 all-star game to New Orleans, and Bank of America and Wells Fargo, two of North Carolina's largest employers, posted ads that featured lesbian couples, to oppose the law, and urge its repeal. The law was partially repealed later, partly as the result of business community activism that included strong roles by Bank of America's Chief Administration Officer, Andrea Smith, and its North Carolina market president, Charles Bowman, who served on a task force as brokers for a compromise (Kline 2018).

Companies have also made statements on the issue of whether football players should be allowed their freedom of expression by kneeling on one knee rather than standing during the U.S. National Anthem before the start of National Football League (NFL) games. Colin Kaepernick, a quarterback for the San Francisco 49ers, first initiated this action in 2016 to protest racial injustice and police brutality. Following criticism by President Trump urging NFL team owners to fire players that kneeled during the anthem, Colin Kaepernick was fired, and was not hired as a free agent by any other NFL teams. Mr. Kaepernick filed a grievance against the NFL accusing owners of collusion in not hiring him. In 2018, Amnesty International presented Colin Kaepernick with its prestigious Ambassador of Conscience Award. While some companies criticized Kaepernick and others players for their protests, other companies supported their freedom of speech. As a statement to this effect, in 2018, Nike engaged in a 30th Anniversary "Just Do It" ad campaign featuring Colin Kaepernick, including his statement, *Believe in something, even it means sacrificing everything.* Despite fears of a backlash and boycotts, Nike's sales soared 31 percent after the Ad Campaign's launched (Linnane, 2018; Papenfuss, 2018). Other corporations provided statements on this issue including Anheuser-Busch's press release supporting the armed forces and the national anthem, but also diversity, equality, and freedom of speech, and Under Armour, Inc.'s statement that it stands for the flag as well as free speech and a unified America. Ford Corporation similarly stated that Ford respects the rights of individuals to express their views, even if some of these are ones that they do not share, and Hyundai issued a statement that the company respects the freedom of individuals to express their First Amendment rights, standing for inclusion, freedom, and all that represent these values (Astor, 2017).

6. Summary and Conclusion

Whether corporations should have a larger societal role than the sole goal of maximizing wealth, and if corporations should intervene when governments fail to act on important public issues are interesting questions. This paper examines these questions, and provides an overview of actions taken by many U.S. corporations and financial institutions, tackling social and environmental concerns on behalf of the long-term interest of multiple stakeholders including institutional investors, customers, employees, communities, versus acting solely on shareholder wealth maximization. This sea change reflects a loss of public trust in corporations in the aftermath of the global financial crisis, along with public outcry for corporations to become part of the solution for serious global issues including social-economic inequality and poverty, and the threat of devastating effects associated with climate change and other serious environmental concerns. It also reflects greater political dissonance in the U.S., and the growth of social media and socially and environmentally active millennial and Gen Z generations as consumers and employees. Accordingly, corporations have stepped up by integrating sustainability across their operations and incorporating environmental, social and governance (ESG) considerations in their strategies and decision-making, as well as creating strong brands by including customers and employees as stakeholders and part of their mission. From this perspective, the goal of maximizing shareholder wealth may also depend on corporations taking on larger roles for a company's long-term sustainability and value, and a firm's reputation enhancement.

With a void created by legislators in the U.S. for creating positive solutions for important social and environmental issues, CEO's have also taken on new roles as social and environmental activists. This includes working to reduce the effects of dramatic climate change as one of the greatest dangers facing the world today, joining with U.S. states and cites, and institutional investors to make a difference with the U.S. Climate Alliance to keep to the UN

Paris Climate Change agreement, despite the U.S.'s withdrawal. CEO's have also become activists by taking public positions on important social and political issues including in the U.S. issues of racial and sexual discrimination, gun control issues after mass shootings, immigration bans and DACA, and freedom of expression rights, among other important social and environmental causes, promoting public discussion, and encouraging governments to take positive actions. With the backing of a company's consumers and employees, along with and the failure of governments to find solutions for major climate change and social/economic issues, this role is likely to continue with corporations coming to the rescue.

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