

A LIST to CHANGE the WORLD

NO BUSINESS STORY IN 2019 MADE A BIGGER SPLASH than the August 19 statement of the US Business Roundtable. That group of blue-chip CEOs, after decades of explicitly pursuing the exclusive interests of shareholders, now declared that their companies should seek to serve all stakeholders—employees, customers, society at large. The statement made front-page news around the world. • In the media stampede to cover the story, the clear winner was Fortune magazine. Within seconds of the statement’s release, Fortune posted a prepared-in-advance interview with JPMorgan’s Jamie Dimon and other marquee signers of the statement. In concert with that story, Fortune also posted its annual Change the World list, honoring companies that are advancing social causes in the course of doing business. • For Fortune, the Roundtable statement was the culmination of a five-year push, particularly by President

and CEO Alan Murray, to broaden the beneficiaries of corporate success. In 2015, Murray and his team had launched Fortune’s Change the World list. For a magazine famous for its financial-metrics rankings, a list honoring companies that helped improve the world represented a radical departure. In 2016, Murray hosted a gathering of 100 CEOs at the Vatican, for purposes of devising ways for companies to address inequality, climate change and other societal problems. Last year, in the months preceding the release of the Roundtable statement, Murray consulted with leaders of the organization on what their statement would say. • While acknowledging that not all executives agree with the statement, and that statements themselves change nothing in the absence of action, Murray is confident that a significant shift in corporate purpose is under way. His perspective is informed by a long run as The Wall Street Journal’s Washington bureau chief, followed by a stint as President of Pew Research.

Fortune CEO **ALAN MURRAY**, a hard-nosed journalist, tells Brunswick’s **KEVIN HELLIKER** that the executive quest for social value is a genuine movement.



How long before its release were you aware that a Roundtable statement of this sort was in the works?

They spent about a year studying this, and they reached out to me when they were doing their research on it. So I had discussed it with them some. Then they reached out to me when they were getting ready to make the statement. Before the thing went public I had talked to Ginni Rometty (CEO of IBM), Mary Barra (CEO of General Motors), Jamie Dimon, and Alex Gorsky (CEO of Johnson & Johnson).

How did Fortune come up with the idea for the Change the World list?

Before our list existed, I was hearing more and more from CEOs, what are we doing to address core social problems? How are we making the world a better place? So Cliff Leaf (Fortune Editor in Chief) and I decided to start the Change the World list. Fortune has lists that measure companies by size. By how fast they're growing. By whether employees like working there. By how admired they were. We have the Most Powerful Women list. But none of our lists looked at social impact. So we started working with Michael Porter (Harvard Business School Professor) and a company he co-founded called FSG-Social Impact Advisors. He helped us come up with a methodology to measure companies that were having a positive impact addressing social problems. The Change the World list launched in 2015, and a year later, Brexit happens, and Trump and Bernie Sanders happen, and suddenly the business community is saying, "The political system is turning away from us."

That same year, you organized a CEO gathering at the Vatican. How did that come about?

We were in a conversation with the Vatican that started with then-Time CEO Joe Ripp. He had a contact here in New York, Monsignor Hilary Franco, who was the Vatican representative to the UN. Msgr. Franco let it be known that the Pope was interested in talking to CEOs. I said, "We can make that happen."

For context, Fortune has been running something called the Fortune Global Forum for almost 20 years. Initially it was every three years and in China. When I got here, I made it every year, and we started doing it in other places as well. So now, we decided to do one at the Vatican. This one, though, was unique in structure, in that we had CEOs go off in working groups, each to address a particular problem. For instance, what can the private sector do to help climate?

We did working groups of about 20 CEOs on water, on health, on climate change, on employee

training. They came up with things the private sector can do. We finished on a Friday and had our recommendations translated and taken that night to the Pope. The next morning, we met with the Pope, who had read the recommendations.

They initially told us he was just going to stay there for a few minutes. But he was impressed enough by the recommendations that he took the time to greet each of the CEOs individually. It was a cool event. In the surveys we did afterward, the CEOs all said, "This is really important. We are at an important moment in the history of business and capitalism. We all have to figure out how to do this better. And if you can keep this going in some way, it would be valuable to us."

That was in December of 2016. The next month, in January, we hosted a dinner at Davos to talk



Alan Murray talks to Larry Page, co-founder of Google, at Fortune's Global Forum in San Francisco.



Fortune's 2019 Change the World issue was timed with the Business Roundtable, and featured Ginni Rometty, Jamie Dimon and Alex Gorsky on the cover.

about how to keep the momentum going. There we launched what we called the Fortune CEO Initiative, basically a forum for CEOs who are committed to addressing major social problems as part of their core business. At that dinner, Marc Benioff (Salesforce CEO) stood up and said he would sponsor this new effort. The CEO Initiative had its first meeting in New York the next June. Jamie Dimon was part of that. Then the next year we were in California. Tim Cook was part of that.

So the CEO Initiative grew out of the Vatican meeting. It put us on the map for what the Business Roundtable was thinking about, which is why they came to me when they were planning the statement.

After five years, how has the Change the World list been received?

It got a lot of attention. A lot of companies want to be on it. And that puts pressure on us to make sure

we put a big emphasis on measurable results. We're not looking for somebody who's just made a big announcement or has good intentions. We want to see measurable results on addressing social problems, which is why it tends to be big companies. You have a lot of great little companies, but they don't have the resources to scale.

The 52 companies on the list this year seem to show you seek a diversity of initiatives—they're not all addressing climate change, for instance?

Yes. Probably the issue that has gotten the most traction with industry is worker training. Companies realize there's an inequality problem, and that technology is going to displace more and more people over the next couple of decades. So they feel an enormous need to come up with training programs, workforce development programs, to allow more and more people to participate in the good parts of the economy.

At our conferences, when we have breakouts to address various topics, the most popular one is always workforce development. It seems to be the issue that they feel most responsible for and concerned about. I mean, these executives don't think AI is going to eliminate jobs. They think AI is going to create a lot of jobs. But who's going to have the skills needed to take those jobs?

You talk in your Roundtable article about fear among executives that capitalism is losing favor in democracies.

Politics is clearly part of it. Ginni Rometty says in there that business could lose its license to operate. In private, not for quotation, I've heard that from a lot of Fortune 100 CEOs.

If the political environment becomes friendlier to business, will the social value movement fade?

I don't think so. A big part of it is employee pressure. You've got a generation of employees who just think differently about their employers than the way you and I did. When I was at the Pew Research Center, we did a big millennial study. They don't belong to churches. They get married later. They don't belong to the Moose Club, Elk Club, Rotary Club. All the stuff that generations ago we might have put into a social club or into a church, they put into their employer. They want their employer to give them a sense that they're doing good things in the world. And that's powerful, particularly for any company that has to attract large numbers of talented people.

FORTUNE CHANGE THE WORLD LIST 2019

TOP 10

NAME	REVENUE*	REASON
1. QUALCOMM	\$22,732	Increasing the reach and lowering the cost of life-changing technology.
2. MASTERCARD	\$14,950	Extending financial services to the underserved.
3. BYD	\$18,426	Expanding universal electric cars.
4. TE CONNECTIVITY	\$13,988	Life-saving technology for stroke sufferers.
5. WALMART	\$23,400	Investing in employees.
6. SANTANDER BRAZIL	\$23,400	Growing its microloan program in Brazil.
7. CENTENE	\$60,116	Grants to remove barriers to care for the disabled.
8. BANK OF AMERICA	\$110,584	Low-cost financing for building affordable housing.
9. SCHNEIDER ELECTRIC	\$30,354	Sustainable energy management & automation equipment.
10. TERRACYCLE	NOT LISTED	Zero-waste packaging.

*REVENUE IN MILLIONS FOR LAST FISCAL YEAR

“We want to see measurable results on addressing social problems.”

Another factor that's harder to wrap your arms around is the changing nature of how big companies operate. Companies used to be what Alan Greenspan described as information hierarchies. You have all these employees. They collect information. It goes up to the top. The guy at the top comes up with the strategy, tells everybody what to do and then it goes back down. Nobody successful works that way any more.

In part that's because information no longer travels vertically, it travels horizontally instantly. If you wait for it to filter up to the top and get distilled and orders to come back down, you're going to lose. As a result, power has been pushed out to the edges, leaving the people at the top, particularly the person at the very top, in a position of motivating, inspiring, setting up guardrails, less giving orders.

When we went to the Vatican, we had a conversation about moral leadership. Up to that point in my career, I'd never been around a bunch of CEOs who

talked about moral leadership. Now I am—all the time, all the time. It’s not because suddenly they’re more moral. It’s because the way you run a company is much more about motivation, inspiration, value setting, and less about giving orders.

For all those reasons, even if the political environment magically changed, this impulse would still be very, very strong.

What is the CEO response to the oft-heard argument that businesses are doing good without stopping the things they do that are bad?

That’s a criticism from the left, and I think the CEOs are focused on criticism from the right. Just because they still live in a shareholder world. If you have an activist in your stock who wants to break up the whole company, the last thing you want to do is say shareholders aren’t important.

The CEO’s biggest concern remains the Milton Friedman loyalist?

It’s a little unfair to put it all on Milton Friedman loyalists. The attention to shareholders didn’t just come out of Milton Friedman. It came out of the corporate raiders of the ’80s and the ’90s. And those people became corporate raiders because you had a bunch of really sleepy corporations that did a lot of really stupid things—and were getting eaten up by the Japanese.

The shareholder movement grew out of clubby, family-friendly companies that grew up out of World War II, that were starting to just die. And being CEO was like a tenured position, until the corporate raiders came in and started shaking that up.

Today, I don’t think a return to the complacency of the ’60s and ’70s is possible given the pace of technological change. There isn’t a lot of complacency among CEOs who fear being disrupted by some Ripple or Alibaba or Amazon.

Did criticism of the Roundtable statement cause any regret among signers?

I don’t think there are regrets. I think they were surprised that it was as big a deal as it became. Many had thought of it as no big deal. They said, “Look, this new statement is just a reflection of how I was running the company anyway.” That was kind of the Jamie Dimon attitude. I already do this. So why not say I do it?

But most just felt they had no choice but to push the issue forward. For these guys 2016 was a scary year. Because you had Donald Trump abandoning them on the right, and Bernie Sanders, a socialist,

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creating all that heat on the left. It’s only going to be worse in the next election if you have Elizabeth Warren and Donald Trump.

I suppose it’s too soon to say whether the Roundtable statement is warming voters toward capitalism?

I’m not sure what kind of results you could point to really show a positive effect. Overall, I think this is really closely related to the short-term, long-term issue. I spent more than a year of my life in the Time Inc. C-suite watching all the stupid things that we did that hurt workers and hurt society but helped get a few more dollars into the quarterly report to the street. What would be helpful would be if we started to see some real movement on fewer companies reporting quarterly results, less attention to the quarterly numbers, more attention to the long term.

We talked about worker development. You’d like to see a rise in the aggregate number of dollars spent on training and workforce development programs by companies. I don’t think there’s any evidence that it’s grown. If you saw a number like that start to grow, I think that would tell you something.

In the five years you’ve produced the Changing the World list, has it helped change the world?

By definition, the list honors a minority of businesses. But there are more and more businesses that are thinking this way. I can’t give you metrics. But I think the number of companies that are really consciously focusing on how they have a more positive impact on society as part of their core strategy has grown.

I mean, all the big private equity firms now have social impact operations. I just spoke with a top guy at Carlyle, and he was talking about how they’re looking for ESG measurements for their entire portfolio. That’s a pretty big deal. Private equity. Not public traded. They want to have a way of measuring social impact across their portfolio. It goes well beyond the public markets.

You’ve now had in the last three or four years a number of really solid studies showing that companies that pay attention to ESG metrics perform better. There was one recently that showed the flipside—that companies that did poorly on ESG metrics were good candidates for bankruptcy. Of course, you can argue over cause. It may be that they do good for the world because they’re doing good in general. But the notion that companies that do well by society are better companies is getting more strongly ingrained. ♦

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