



## ***SDG 17: Partnership for the Goals - The Purpose of a Corporation: Past and Present***

<b>Topic Overview</b>	<b>Learning Objectives</b>
<p>In 1970 Milton Friedman famously stated that the social responsibility of a business is to increase its profits for shareholders. The purpose of a corporation has been highly debated and has evolved over the past 50 years. With the current environmental and social movements, it is important to understand where society/business once was compared to today, and to analyze what the future might look like.</p>	<ul style="list-style-type: none"> <li>• Describe how the purpose of a corporation has changed over time.</li> <li>• Identify the factors that led to the changed view of corporations.</li> <li>• Describe stakeholder capitalism and the steps to achieve it.</li> <li>• Analyze the varying views and opinions of the purpose of a corporation.</li> </ul>
<b>Resource Summary</b>	
<p>Friedman, M. (1970, September 13). <i>A Friedman Doctrine-- The Social Responsibility Of Business Is to Increase its profits</i>. New York Times. <a href="https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html">https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html</a></p> <p><u>Summary:</u> The Friedman Doctrine argues that the responsibility of a corporation is exclusively to earn a profit for its shareholders and does not regard stakeholders and society.</p>	
<p>TEDx Talks (2014, January 14). <i>Business is about purpose: R. Edward Freeman at TEDxCharlottesville 2013</i> [Video]. YouTube. <a href="https://youtu.be/7dugfwJthBY">https://youtu.be/7dugfwJthBY</a></p> <p><u>Summary:</u> Freeman discusses the purpose of business beyond profitability, with the ultimate purpose being value creation. He proposes that we need to look at profit maximization differently and create long-term stakeholder value through business.</p>	
<p>Schwab, K. (2019, December 2). <i>Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution</i>. World Economic Forum. <a href="https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/">https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/</a></p> <p><u>Summary:</u> The Davos Manifesto is an updated version of the Friedman Doctrine, which states the purpose of a corporation is to create sustained and shared value for its stakeholders. This updated view reflects the recent transition towards social and environmental sustainability by businesses.</p>	
<p>Starr, K. &amp; Sundheim, D. (2020, January 22). <i>Making Stakeholder Capitalism a Reality</i>. Harvard Business Review. <a href="https://hbr.org/2020/01/making-stakeholder-capitalism-a-reality">https://hbr.org/2020/01/making-stakeholder-capitalism-a-reality</a></p> <p><u>Summary:</u> This article describes the history and present state of stakeholder capitalism, and the cultural shift that got us where we are today. The authors provide suggestions on how organizations can achieve stakeholder capitalism.</p>	



Porter, M. (2013, June). *The Case for Letting Business Solve Social Problems* [Video]. TED Institute.

<https://bit.ly/2O2CYLC>

Summary: In Michael Porter's TED Talk, he argues that the solution to social problems is not going to come from governments or NGO's, but from businesses. Business has two of the most important factors in solving social problems: scalability and profit. Businesses have the ability to generate revenue unlike non-profits, so they are self-sustaining. The current model lacks enough money to achieve solutions on a large scale. Scalability is a requirement for sustainability. Porter ends the talk by saying that businesses can save the world if we change our mindset of what businesses can do.

### **Discussion and Exam Questions**

1. Analyze the changes in the relationship between corporations and stakeholders from the Friedman Doctrine to the Davos Manifesto.
2. Discuss what factors could have lead to the transition of the corporation within the past 50 years.
  - Media (and more recently social media)
  - Urbanization of populations (rise of the knowledge worker)
  - Growth of financial investors (institutional investors vs individual investors)
  - Technology (more access to media, global connections amongst people and organizations)
3. Hypothesize how the purpose of a corporation may change in the future. (I.e. will we have the same opinion in 2050?)
4. What are the costs and benefits of stakeholder capitalism?

### **Additional Resources**

[The Purpose of Business is to Solve Problems of Society, Not to Cause Them](#)

[Statement on the Purpose of a Corporation](#)

[What is the difference between stakeholder capitalism, shareholder capitalism and state capitalism?](#)

### **Related Business Topics**

- Stakeholder capitalism
- Stakeholder theory
- Strategy
- The history of business
- Business ethics

### **Related Sustainable Development Goal Targets**

[SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development](#)

17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships



### **Suggested In-Class Activities**

#### Activity: Freidman vs. Freeman Debate

Split the class into two groups and have them debate the purpose of a corporation from the standpoint of Freeman and Friedman from the class readings.

“The 21st Century is one of “Managing for Stakeholders.” The task of executives is to create as much value as possible for stakeholders without resorting to tradeoffs. Great companies endure because they manage to get stakeholder interests aligned in the same direction.” — R. Edward Freeman

“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” — Milton Friedman, 1970