Kraft Heinz (KHC) and Unilever (UL) have many things in common. Both companies own hundreds of global consumer brands- KHC includes not only Kraft foods and Heinz Ketchup but also Planter’s peanuts and Grey Poupon mustard. Unilever owns Dove soap and Hellmann’s mayonnaise, Lipton’s tea and Ben & Jerry’s ice cream. Both have been in business since the 1920s. Both employ tens of thousands of employees.

In early 2017, KHC offered to buy UL for $143 billion. UL’s then CEO, Paul Polman, fended off the takeover attempt because of a “corporate culture that couldn’t have been more different from Unilever’s.” Since then, KHC’s share price has dropped 70% and UL’s has increased about 35%. If we look at some of the differences between KHC and UL we will see why Mr. Polman didn’t want to merge with KHC and why he would like to see capitalism “reinvented.”

After receiving his M.B.A., Mr. Polman joined Procter & Gamble which provided the foundations for his leadership approach. In his recent NYT interview, Mr. Polman indicated that “P&G has enormous values that permeate all levels and all places in the world that it operates. Ethics, doing the right thing for the long term, taking care of your community is really the way you want a responsible business to be run.”

Fast forward to 2009. After 10 years of decline, UL hires Mr. Polman as CEO. Annual sales had dropped from $55 billion to $38 billion. Mr. Polman felt UL had good brands and good people but had become too “short-term focused.” A change was needed.

Mr. Polman brought back values from the 20s that were at the roots of Unilever’s success. He felt a more responsible business model was needed. He came up with a bold plan to double Unilever’s revenue while cutting the company’s negative impact on the environment in half. And, he committed his entire team to focus on the long-term, not the short-term, in solving important issues.

In short, Mr. Polman believes “We need to reinvent capitalism, to move financial markets to the longer term.” He felt that “KHC is clearly focused on a few billionaires that do extremely well, but the company is on the bottom of the human rights indexes and is built on the concept of cost cutting.”

This long-term vs. short-term focus is at the heart of a recent best seller, “Prosperity” by Colin Mayer, a former dean of Oxford’s Said business school. Dr. Mayer believes that a great shift in businesses, here in the U.S. and abroad, started about 50 years ago with the overwhelming acceptance of Chicago economist Milton Friedman’s simple doctrine that “the one and only responsibility” of a business is to increase its profits for the benefits of its shareholders, as long as it stays within the rules of the game.” This has been a “powerful concept that has defined business practice and government policies and has molded generations of business leaders.” It has resulted in a huge emphasis on quarterly reporting and quarterly behavior.

Dr. Mayer believes, on the other hand, that the purpose of a corporation should consider its customers, employees, suppliers, and communities as well as its shareholders. Historically, family-owned businesses were cognizant of and responsive to all the constituencies that compose a business and focused on the long-term. Today, almost all corporations in the UK and many US corporations are no longer owned by the founders or their families. This change has accelerated due to the focus on short-term profits, often by simply merging and cutting costs. Dr. Mayer also pointed out that corporations can also have dual-class share structures (typically voting and non-voting shares) which can allow the founders and their like-minded successors to control the company and therefore focus on its long-term purpose rather than quarterly earnings reports. Ford, Google, and Facebook all have this structure. This is a positive trend.

Robert Reich's new book "The Common Good", sums it up this way, "In the corporate world, the single-minded-pursuit of shareholder value has displaced the older notion that companies are also responsible for the well-being of workers, customers and communities they serve." "The common good is no longer a fashionable idea." He defines common good as "consisting of our shared values about what we owe another as citizens who are bound together in the same society." Regardless of political party, all Americans should embrace contributions to the common good.

For 50 years, there has been a huge focus on financial capital with less attention paid to human capital, intellectual capital, material capital and environmental capital. All five of these components of capital should be considered for the overall long-term growth and common good of America and the world.

Reinventing capitalism would require companies to focus on more than quarterly profits. Consideration of all of its constituents- customers, shareholders, employees, suppliers, communities and the environment for the long-term-could certainly benefit the common good and likely produce even better stock market returns in the long-run as well.

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