

Profit and other values

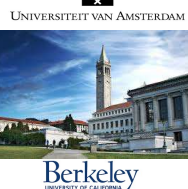
Bastiaan VAN DER LINDEN

Make an impact

Who am I?



Radboud Universiteit



UNIVERSITY OF VIRGINIA
Darden School of Business



Radboud Universiteit







A difference between then and now: the “risk society”

Dangers vs. Risks

Risk is "a systematic way of dealing with hazards and insecurities induced and introduced by modernization itself"
(Beck 1992)

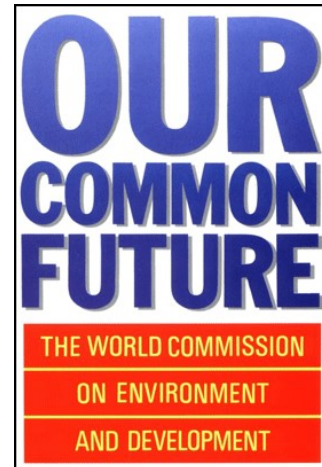


Ulrich Beck

Sustainability is a rather new concept...

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Brundtland 1987



Corporations help meeting these needs: Corporate social responsibility



The unhappy marriage between shareholders and CSR?



Example 1: Unilever

UNILEVER'S JOURNEY TO 100% SUSTAINABLE PALM OIL

A sustainable palm oil industry must have the right balance between social, environmental and economic objectives: a shared responsibility between governments, the private sector and civil society



The Economist

Unilever is “saving the world one investor at a time”

Example 2: ADO Den Haag

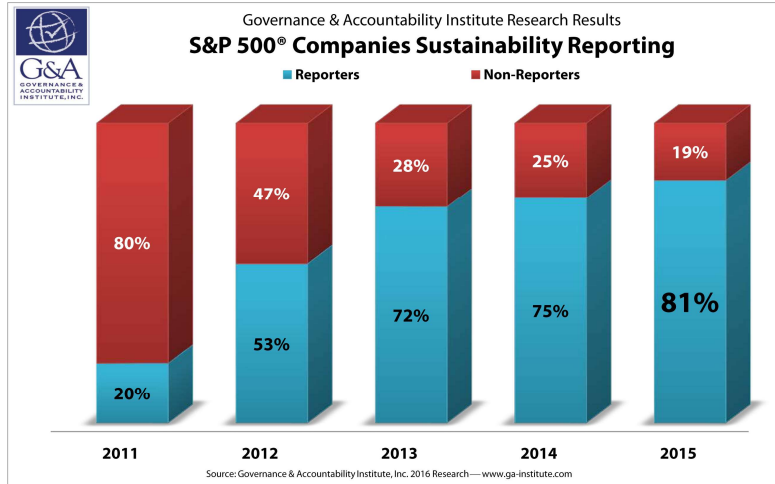


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However...

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Today CSR is what you could call “mainstream”



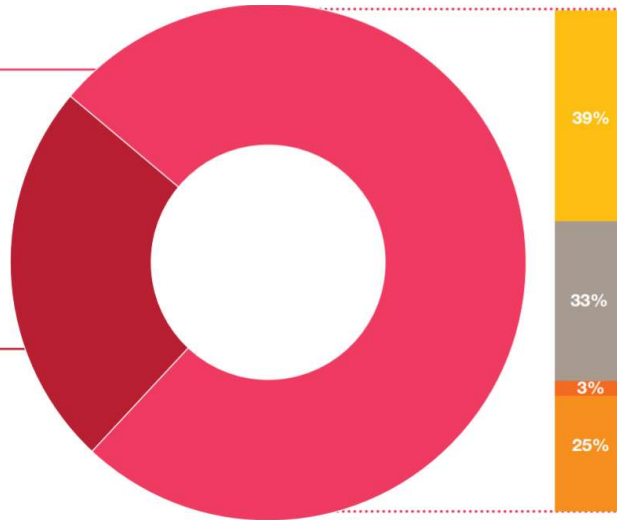
How could CSR become
mainstream today?

The role of institutional
shareholders

Different kinds of institutional investors

74 %
Institutional

26 %
Retail



Institutional investors:

- Insurance companies
- Pension funds
- Banks
- Other institutions

Why do institutional investors consider CSR important?



Instrumental motives



Moral motives



Relational motives

(Aguilera et al. 2006)

Example: Fonds de reserve pour les retraites



Five socially responsible investment principles

1. Respect basic human and worker rights
2. Develop employment by improving the quality of human resource management
3. Assume responsibility for the environment
4. Respect the consumer and fair trade practices
5. Promote good corporate governance

Rating agencies gather CSR information for investors



Vigeo rating

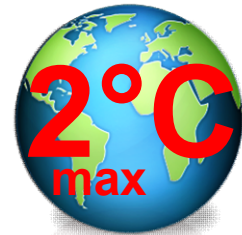


Vigeo rating is the European leading expert in responsible performance. It measures the performances and risks of companies in 6 domains of corporate social responsibility:

ENVIRONMENT	CORPORATE GOVERNANCE
HUMAN RIGHTS	HUMAN RESOURCES
BUSINESS BEHAVIOR	COMMUNITY INVOLVEMENT

Building on more than 15 years of experience, Vigeo rating offers a wide range of services for investors and assets managers aspiring to a sustainable and responsible investment performance.

Example: The shareholder resolution of “Aiming for A”



Aiming for A



160bn
investments

98%

shareholders
voted for the
resolution

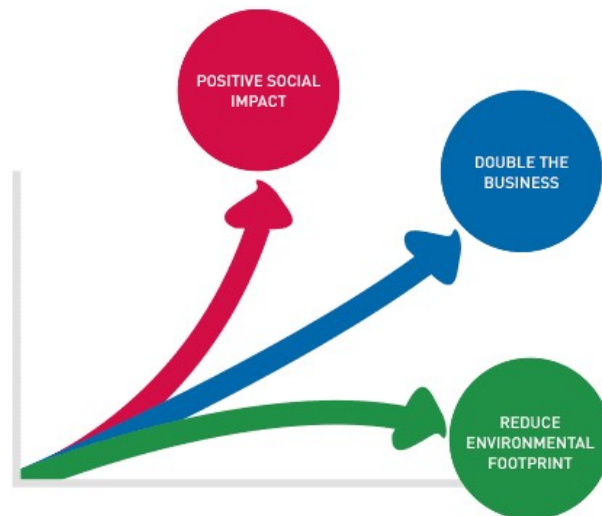


CSR: An example

Unilever Sustainable Living Plan

**OUR PURPOSE IS TO
MAKE SUSTAINABLE
LIVING COMMONPLACE.**

We work to create a better future every day, with brands and services that help people feel good, look good and get more out of life.



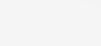
Unilever number 3 retail and consumer company in Europe



Rank 2015	Company	Industry Classification	Nationality	Rank +/-	Global R&C Rank 2015	Market Cap (€bn) 2015
1	Nestlé	Consumer	Switzerland	2	1	223,070
2	Anheuser-Busch InBev	Consumer	Belgium	3	6	175,510
3	Unilever	Consumer	Netherlands	-4	11	110,150
4	L'Oreal	Consumer	France	-1	13	95,153
5	Inditex	Retailing	Spain	14	14	93,893
6	British American Tobacco	Consumer	United Kingdom	-5	15	93,213
7	LVMH Moët Hennessy Louis Vuitton	Consumer	France	-3	19	81,408
8	SABMiller	Consumer	United Kingdom	1	21	78,278
9	Diageo	Consumer	United Kingdom	-4	23	63,338
10	H & M Hennes & Mauritz	Retailing	Sweden	-12	27	59,397
11	Reckitt Benckiser Group	Consumer	United Kingdom	-5	28	58,662
12	Imperial Tobacco	Consumer	United Kingdom	-1	33	44,689
13	Compagnie Financière Richemont	Consumer	Switzerland	30	35	44,242
14	Henkel	Consumer	Germany	26	36	43,353
15	Heineken	Consumer	Netherlands	7	38	41,020

Unilever Sustainable Living Plan

- In 2009 CEO Paul Polman decided to stop publishing quarterly earning guidance for shareholders
- Executive pay is linked to CSR targets
- Unilever closed the CSR department
- Ambitious CSR goals (e.g. reduce ecological footprint by 50% in 2030)



1. Improving health and well being



2. Reducing environmental impact



3. Enhancing livelihoods

**WITH OUR PARTNERS,
WE ARE HELPING TO
IMPROVE LIVELIHOODS
OF SMALLHOLDER
FARMERS**



Projects have now reached over
600,000 smallholder farmers



18 projects
across **11** countries



Working across **10** crops,
including tea, tomatoes & vanilla

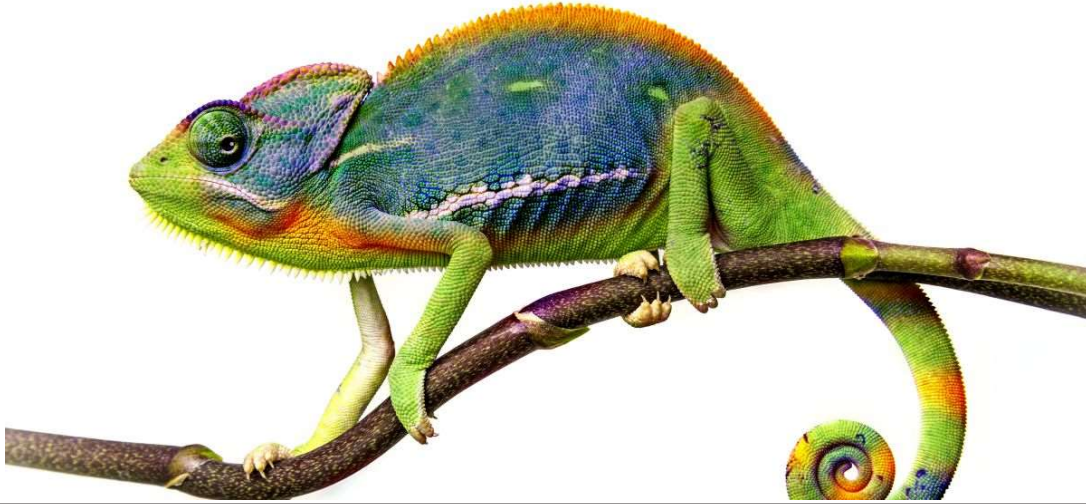
WORKING WITH OUR SMALLHOLDER FARMERS AND PARTNERS #COLLECTIVEACTION



And now some
theory about CSR...



The changing colors of CSR



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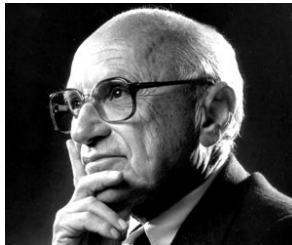
Howard Bowen (1953)



CSR is “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

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Milton Friedman (1970)



“...there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits”.

Ed Freeman (2010)



“The primary responsibility of the executive is to create as much value as possible for stakeholders”.

Every business has it's own purpose...

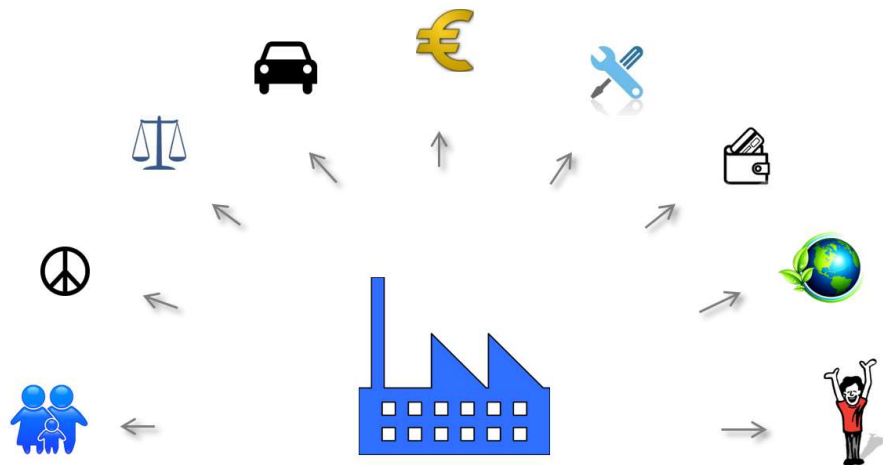
"Profits and purpose are two different ideas, and collapsing them is like concluding from the fact that I need red blood cells to live, that the purpose of my life is to make red blood cells. There are lots of purposes for a business, and any resemblance among all of them is just what Wittgenstein called a 'family resemblance'" (Freeman 2008).



"Managers are guided by many stars"

(Mitchell et al. 2016, citing Davis 1973)

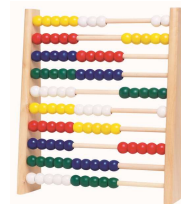
Corporations create profit and many other values



Non-financial performance indicators for many values

Corporate Social Performance

"a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and **observable outcomes** as they relate to the firm's societal relationships" (Wood 1991).



Challenges for managers

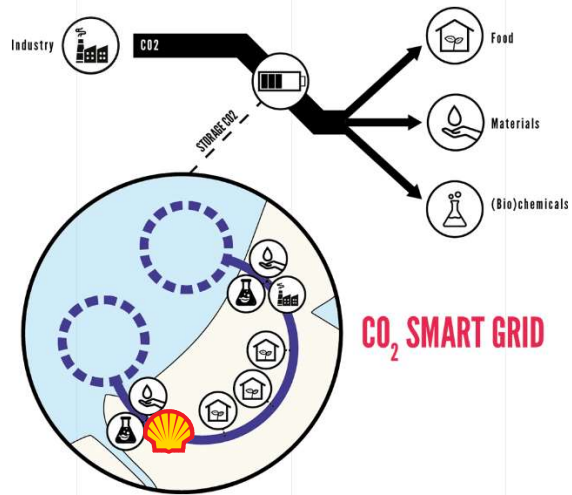
How to bring the stakeholder interests together?

A stakeholder approach to business is about creating as much value as possible for stakeholders, without resorting to trade-offs.

Where stakeholder interests conflict, the executive must find a way to rethink the problems so that these interests can go together, so that even more value can be created for each. If trade-offs have to be made, as often happens in the real world, then the executive must figure out how to make the trade-offs, and immediately begin improving the trade-offs for all sides.

(Freeman et al. 2010)

How to bring the stakeholder interests together? (continued)



Opportunities for new business models

Example 1: Fairphone



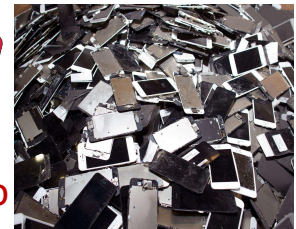
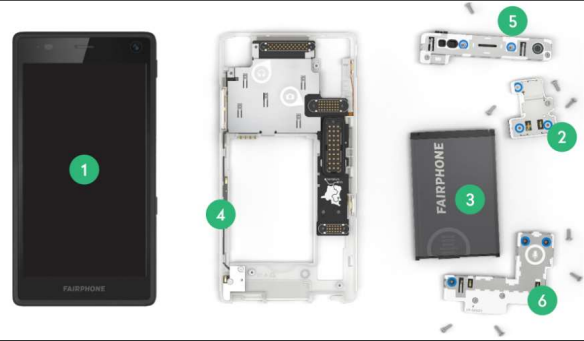
FAIRPHONE

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Yes, you can repair it
yourself

Where's my module?

1. Display Module
2. Camera Module
3. Battery
4. Core Module
5. Top Module
6. Bottom Module



Example 2: MOIA



MOIA

NEW MOBILITY MODES



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“Managers are guided by many stars”

(Mitchell et al. 2016, citing Davis 1973)

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