

77th Annual Meeting Academy of Management

ALL ACADEMY THEME Panel Symposium

"INTERRELATIONSHIP OF BUSINESS AND PUBLIC GOODS

Sponsor: ONE

***Hilton Regency, Greenbriar Room
August 6, 2017; 10:30-Noon***

Arthur Rubens

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***Caring and Sustainable
Practices: How they
Produce Shared Value in
Organizations and for
the Public Good(s)***



The Role of Business in the US



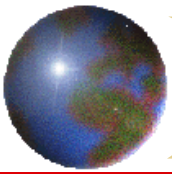
- ✦ "The business of America is Business"
-Calvin Coolidge, 30th President of U.S.



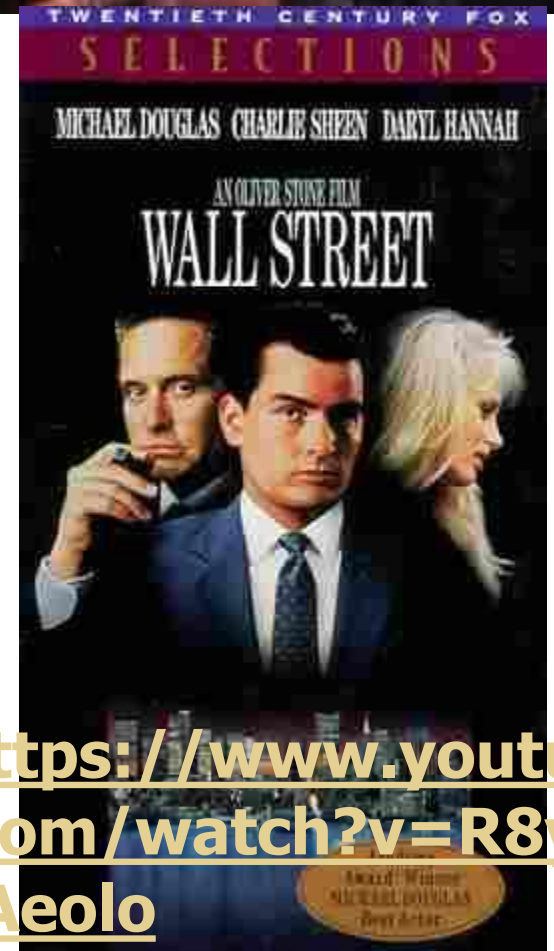
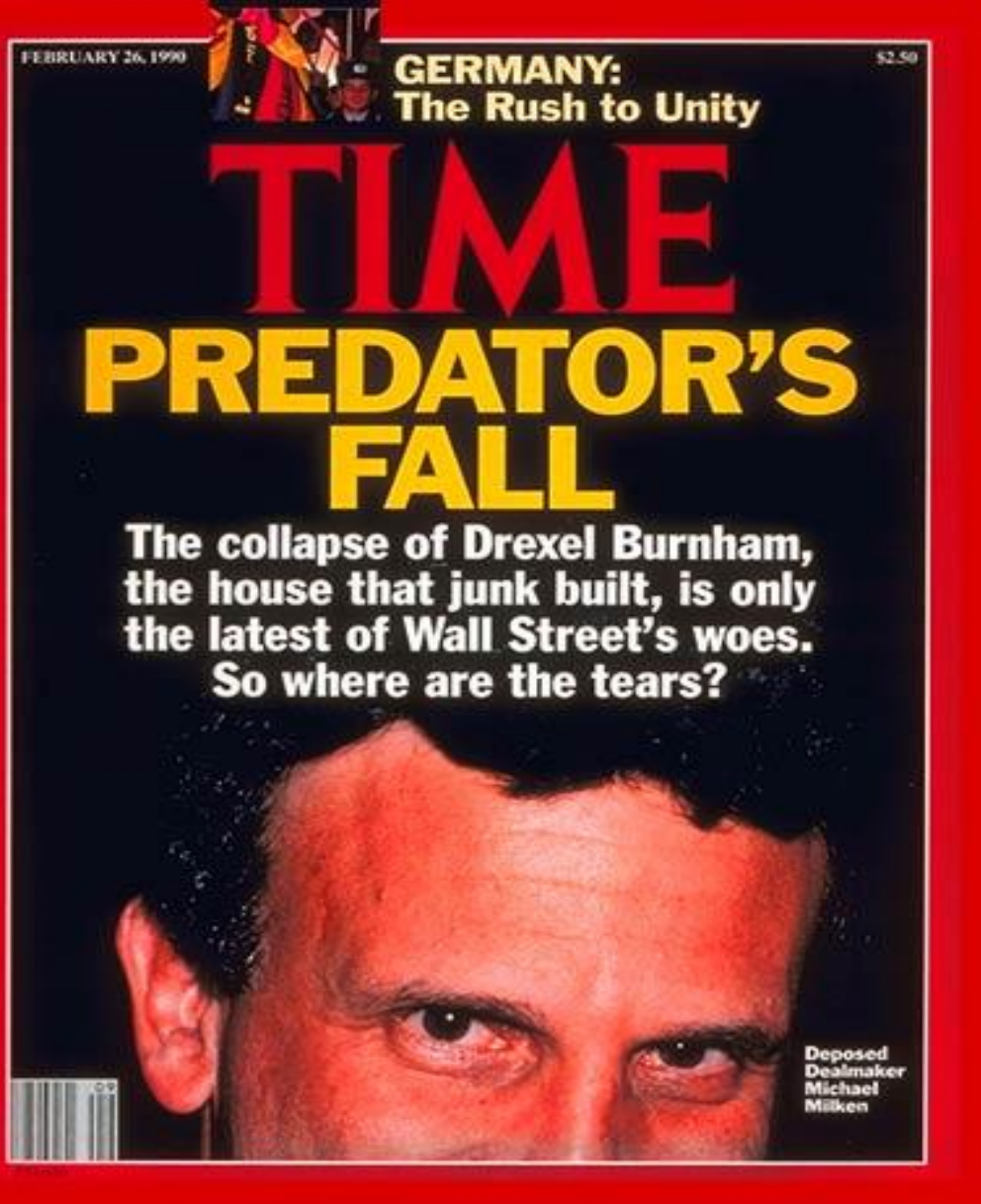
- ✦ "What is good for GM is good for America"
(and visa versa)
-Charles Wilson, GM,CEO



- ✦ "The social responsibility of business is to increase its profits and to maximize shareholder value"
-Milton Friedman, Nobel Prize Economist



Greed is Good



<https://www.youtube.com/watch?v=R8y6DJ Aeolo>



Wells Fargo fake account scandal, by the numbers

\$24 million
Total fees charged to 14,000 of the unauthorised credit and debit cards. Fees included annual fees, interest charges and overdraft protection fees.

\$185 million
The amount of the settlement Wells Fargo made with the City and County of Los Angeles in 2017.

\$400,000
The amount Wells Fargo paid to settle a lawsuit in 2017.

5,300
The number of employees fired by Wells Fargo since 2016 for creating fake accounts or entering customers' info into their systems.

23 billion
Wells Fargo's profits in 2016.

2 million
The number of fraudulent accounts covered by Wells Fargo's settlement in 2017.

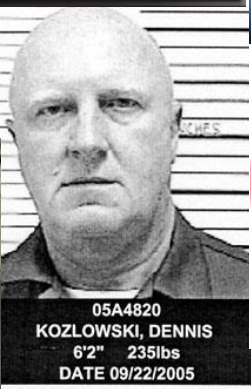
\$2 million
The amount Wells Fargo paid to settle a lawsuit in 2017.

0.02%
The interest rate on the loans that Wells Fargo made to its customers.

WELLS FARGO



AIG

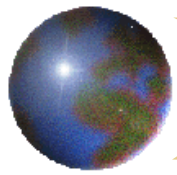


05A4820
 KOZLOWSKI, DENNIS
 6'2" 235lbs
 DATE 09/22/2005

MALE Race - WHITE Hair - BLD/GY Eyes - BLUE DOB - 11/26/1946

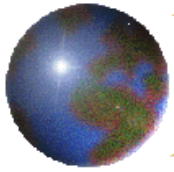
SCAR RS FACE, LT. WRIST

Turings Pharmaceutical



Occupy Movement Wall Street vs. Main Street Nationalist Movements



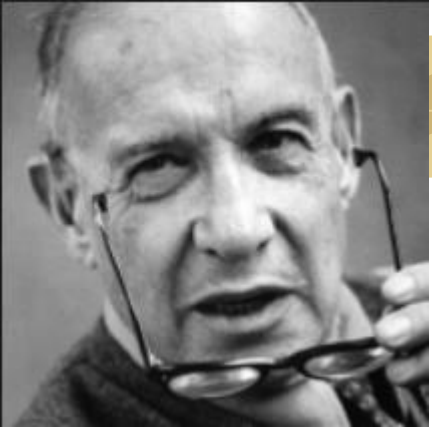


Organization Role in Society



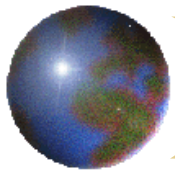
“An organization is not an end in itself... An organization is an organ of society and fulfills itself by the contribution it makes to the outside environment.”

– Peter F. Drucker



Peter Drucker's Viewpoint..

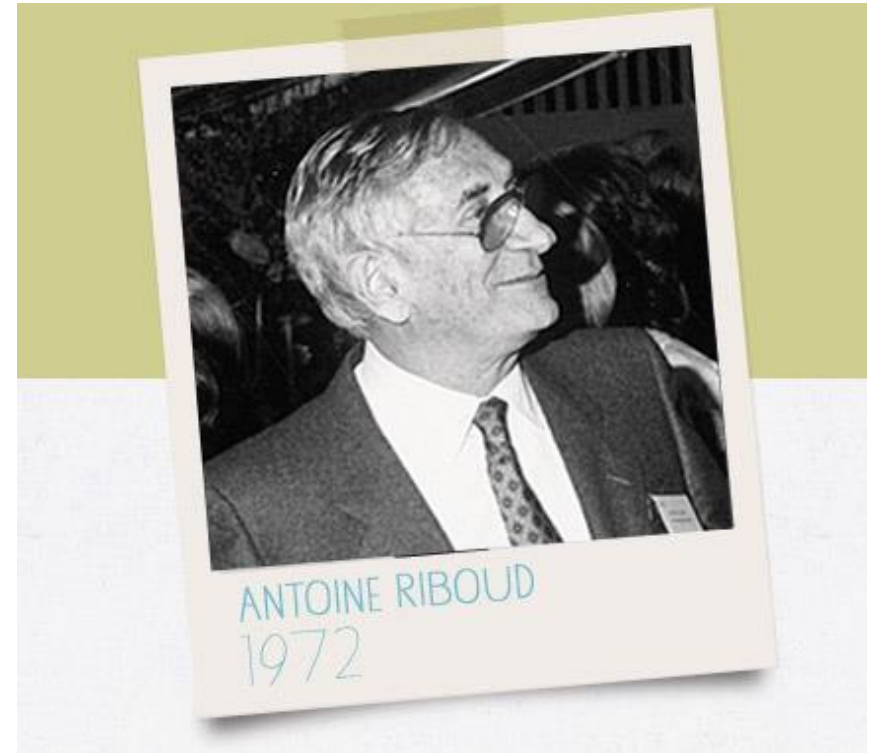
- ✚ “Any organization...needs a commitment to values and their constant reaffirmation, as a human body needs vitamins and minerals”
- ✚ “There has to be something ‘this organization stands for,’ or else it degenerates into disorganization, confusion, and paralysis.”

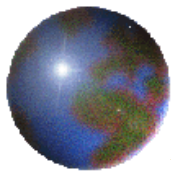


Organization's value creation

“ There will not be sustainable economic value creation if there is no personal development and human value creation at the same time. ”

- Antoine Riboud, President and Founder of Groupe Danone





Institutional Focus on CSR



ACADEMY OF
Management



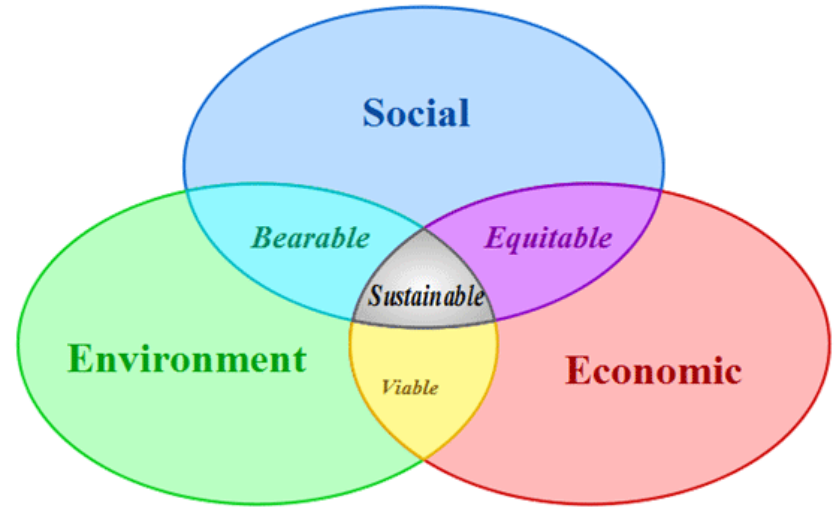
corporate
responsibility

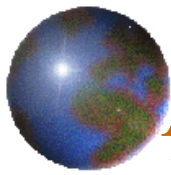


United Nations
Framework Convention on
Climate Change



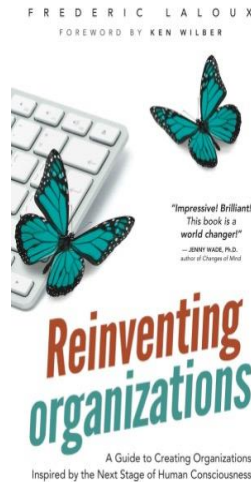
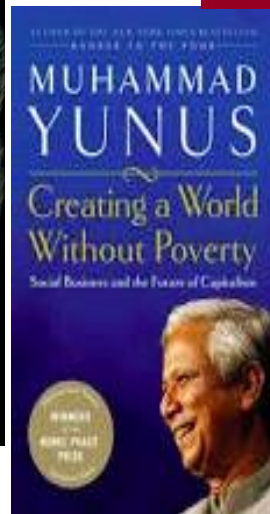
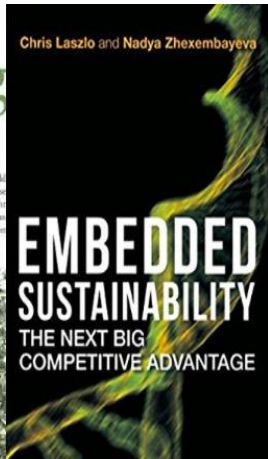
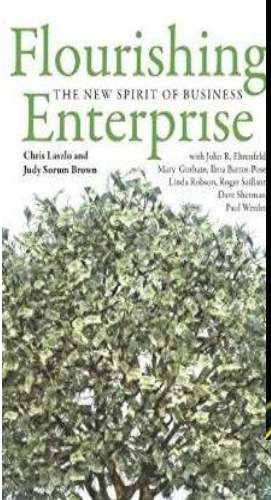
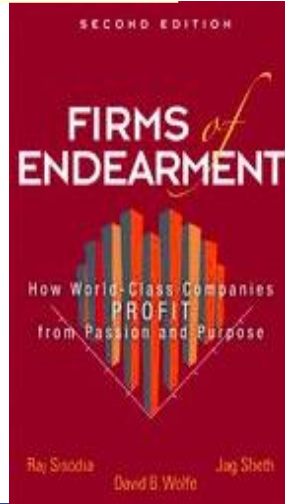
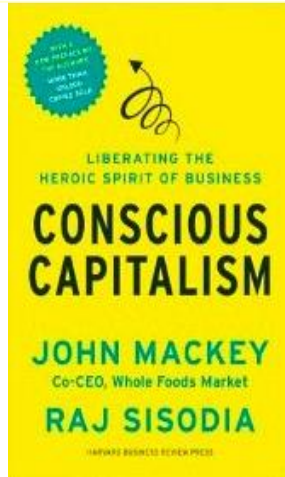
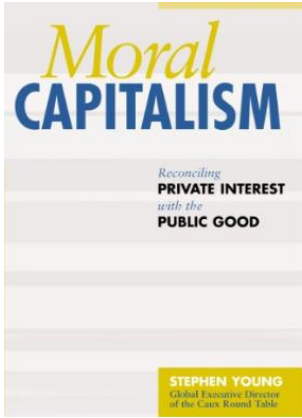
SUSTAINABLE
DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



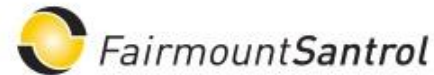


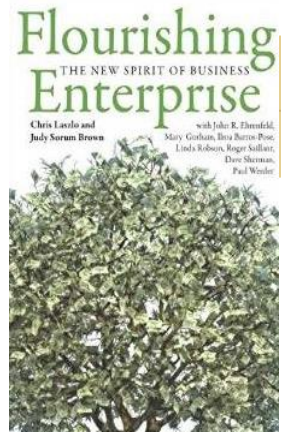
New Role of Business/Public Goods

New Streams of Research

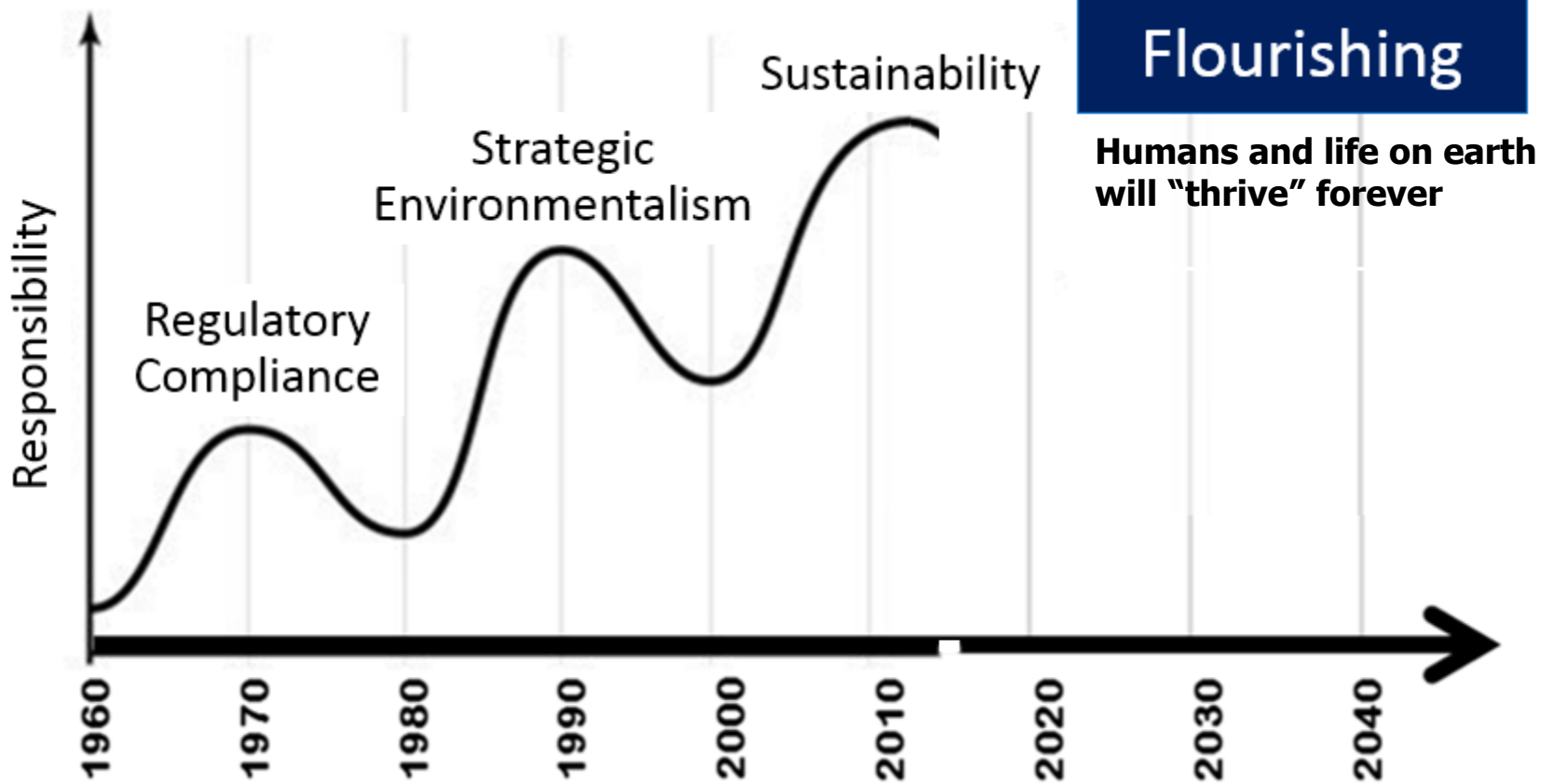


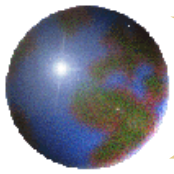
Positive Impact Companies





Future: A New Spirit of Business Enterprise





Sustainable Value Framework

Risks

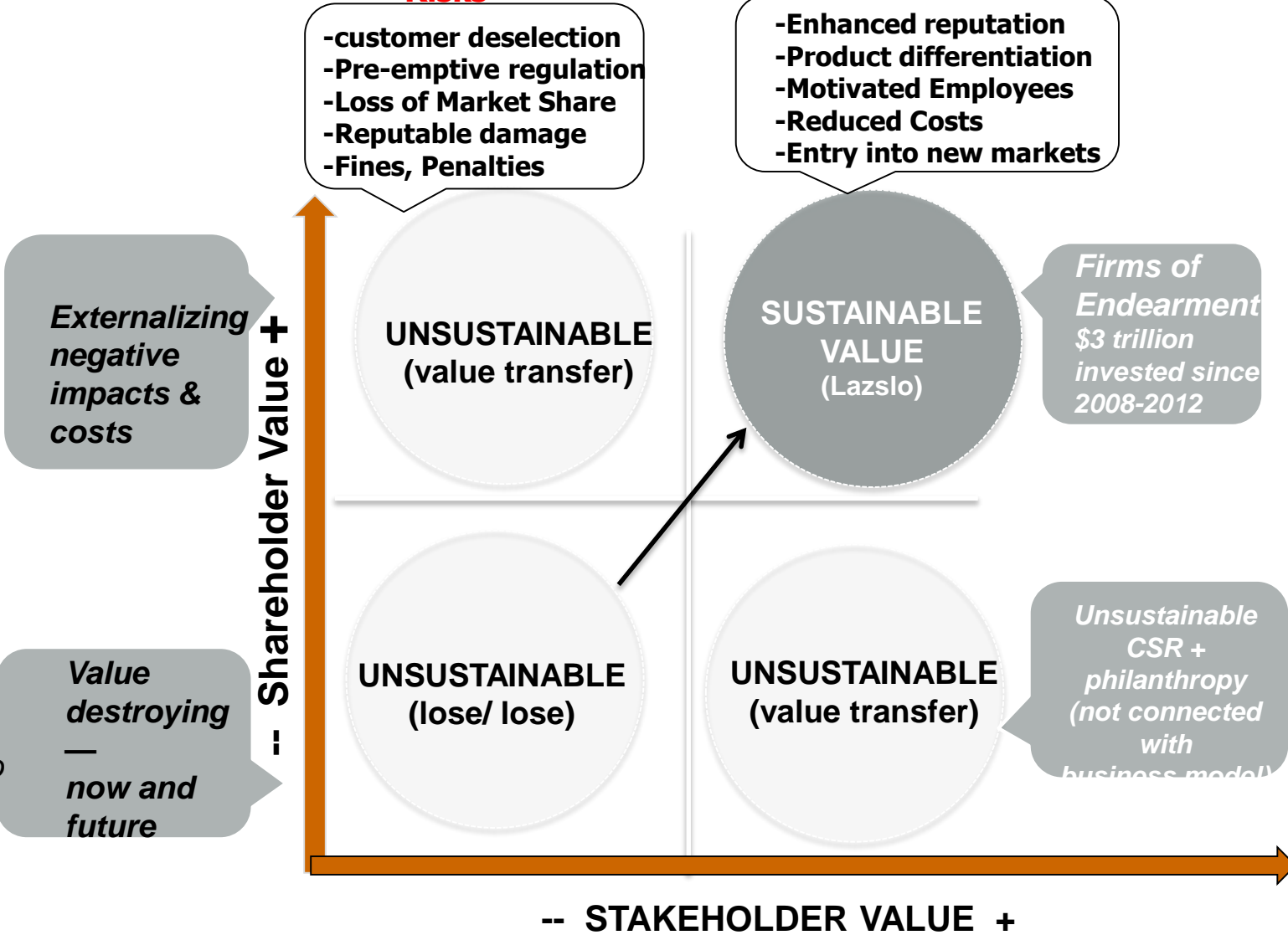
Opportunities

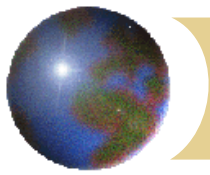
Creating ongoing Value for an organization **shareholders** and **stakeholder**

This is a natural outcome of the **new external environment**

Responding **positively** to a **range of 'stake' holder needs**

Indispensable to future competitive advantage

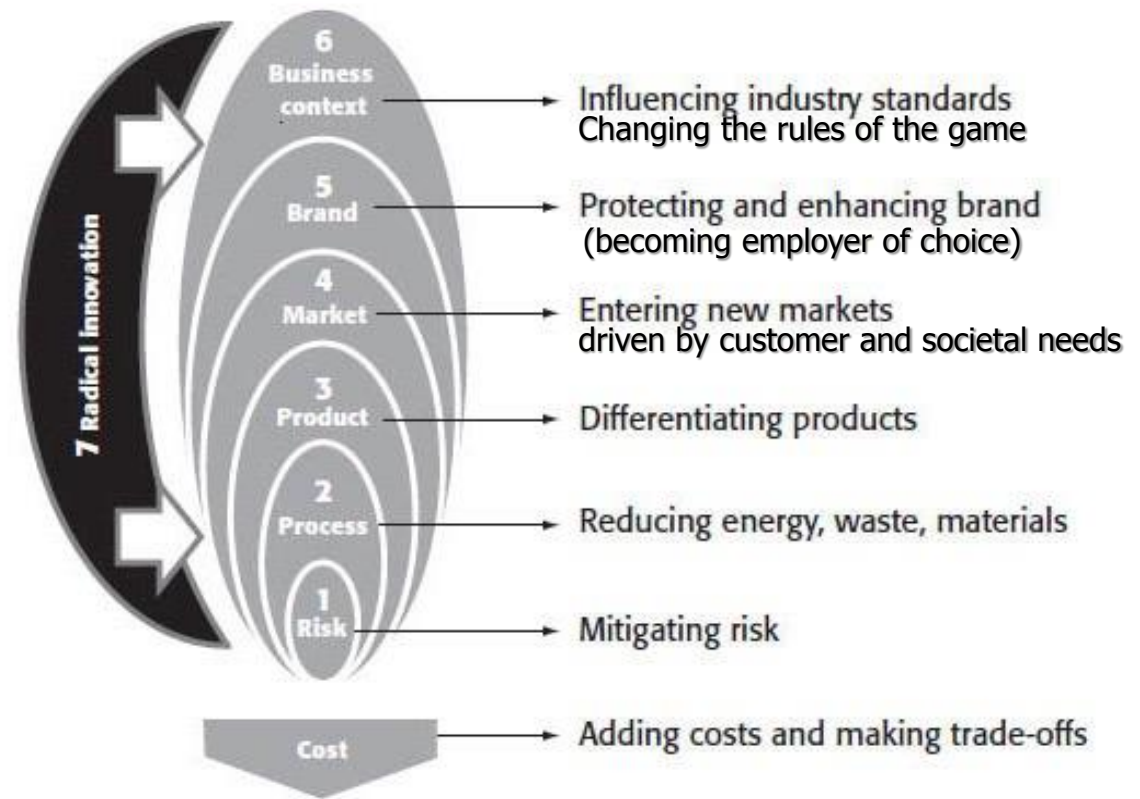




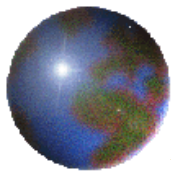
6+1 Levels of Strategic Focus

Points of intervention toward creating sustainable value

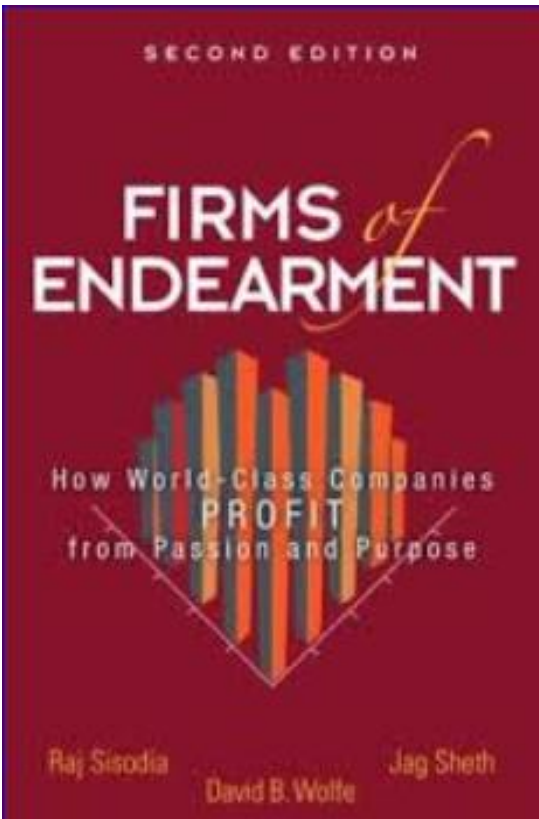
1 + 7 generic strategy responses



From *The Sustainable Company* (Figure 11-8), by Chris Laszlo. Copyright



Firms of Endearment



**Affection
love
joy
empathy,
compassion
soulfulness
authentic**

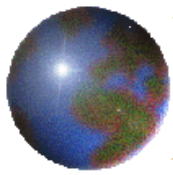
**22 public/29 private
15 non US Firms**



**Customers
Suppliers
Employees
Community**

Endear your company to its stakeholders →

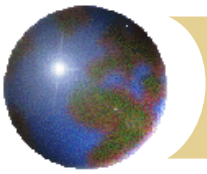
**Stakeholder Relationship Management Model
(Stockholder Bias Model)**



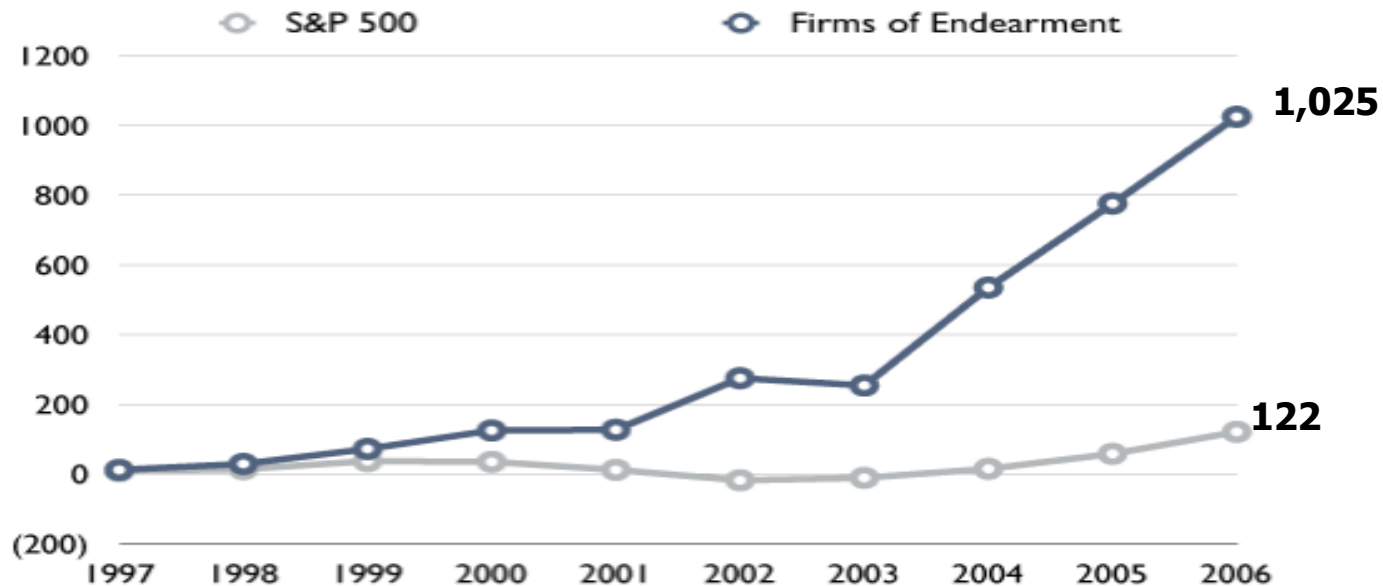
Characteristic



- ✦ Purpose beyond money
- ✦ Align interests of all stakeholders
- ✦ Executive salaries are less
- ✦ Open door policy (waigaya)
- ✦ Employee comp/benefits significantly better
- ✦ More time to employee training (Mean: 263 hrs vs. 8 hrs)
- ✦ Have less turnover; e.g., Costco, SW Airlines, etc
- ✦ Empower employee to make customers happy
- ✦ Hire people who are passionate (e.g., Patagonia; Whole foods, etc)
- ✦ Humanize customer experience (e.g., Zapos)
- ✦ Passion for customer
- ✦ Marketing cost are less (word to mouth)
- ✦ Suppliers: Partners and Collaborators
- ✦ Honor spirit of law (e.g., environmental, working conditions, etc)
- ✦ Culture is greatest asset (long term)

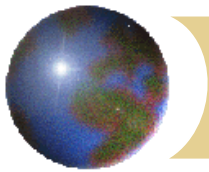


Firms of Endearment more profitable than S&P 500



We believe that companies with sustainable business practices are better managed, more innovative, less risky and better positioned to deliver superior performance over the long-term."

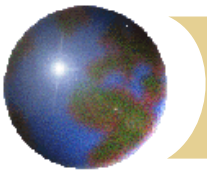
-Goldman Sachs, GS Sustain



FoEs consistently outperformed the S&P 500 by 14 times, and Good to Great Companies by six times over a period of 15 years



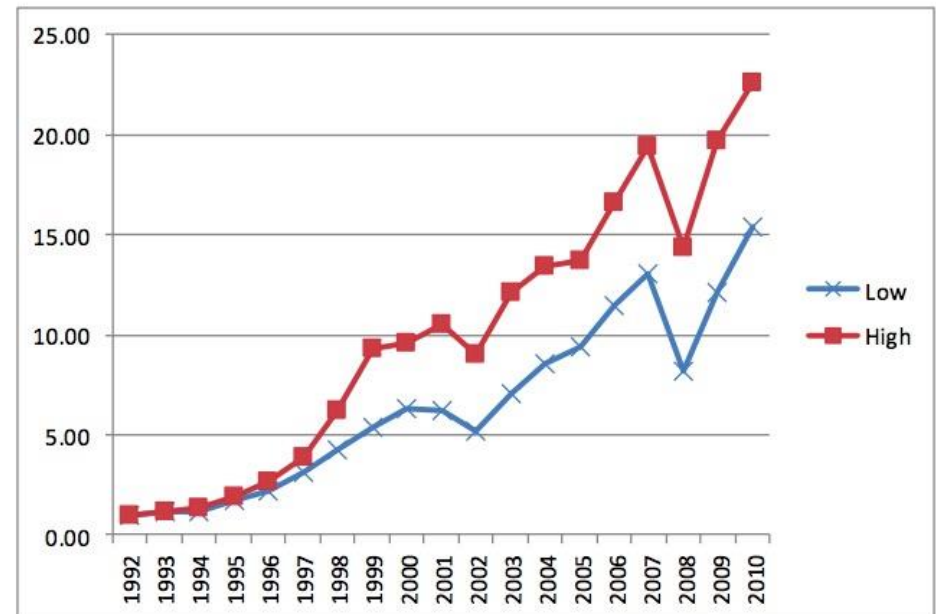
From Dr. Arthur Rubens

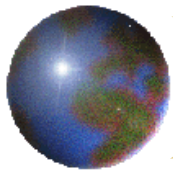


Eccles et al. – “The Impact of Corporate Sustainability on Organizational Processes and Performance” Management Science 2014

- ✚ Study of 180 companies – 1993 to 2009
- ✚ 90 High Sustainability vs 90 Low Sustainability companies
- ✚ Across a range of measures, High Sustainability companies outperform Low Sustainability companies

Evolution of \$1 invested in the stock market in value-weighted portfolios

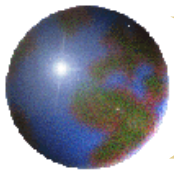




New Attitudes



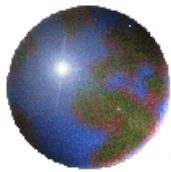
- ✦ Roger Martin, Michael Porter, Christopher Meyer and others have noted that the intent to maximize shareholder value has resulted in myopic management overly obsessed with short-term financial returns.
- ✦ Much has been lost in this shift
- ✦ ...with leaders increasingly arguing that new models need to emerge



Moral Capitalism



- ⊕ A theory that integrates intangible moral considerations with traditional micro and macro economic postulates.
- ⊕ It asserts that **interest and virtue** are not necessarily in conflict
- ⊕ Virtue is an extension of interest rightly understood!



CAUX ROUND TABLE

Charting a new course for business

Caux Round Table Principles for Business

Principles for Business General Principles

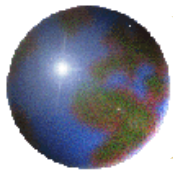
- Principle 1. The responsibilities of Business:
Beyond Shareholders Toward Stakeholders
- Principle 2. The Economic and Social Impact of Business:
Toward Innovation, Justice, and World Community
- Principle 3. Business Behavior:
Beyond the Letter of Law Toward a Spirit of Trust
- Principle 4. Respect for Rules
- Principle 5. Support for Multilateral Trade
- Principle 6. Respect for the Environment
- Principle 7. Avoidance of Illicit Operations



Public Benefit Corporations

- ❖ Type of corporation where “public benefit” is a charter purpose of the corporation.
 - ❖ Are required to meet a tri-partite balancing requirement consistent with its public benefit purpose.
 - ❖ Directors are required to balance ‘the pecuniary interest of stockholders, the best interests of those materially affected by the corporation’s conduct, and the identified specific public benefit purpose.’
 - ❖ Are required to report on their overall social and environmental performance to shareholders and stockholders.

❖ **“More and more companies are rejecting the pursuit of profit above all” -Yancey Strickler, Co-Founder of Kickstarter²²**



Global Dialogue on Sustainable Development 2013

Which value systems can drive business towards sustainable futures for tomorrow?

- ✿ Sufficiency Economy Philosophy
- ✿ Moral Capitalism
- ✿ Sustainable Leadership

THE 2013 BANGKOK CONFERENCE
GLOBAL DIALOGUE
ON SUSTAINABLE DEVELOPMENT



“Business are in the business of business”

- ✿ Public Goods is Good for business!
- ✿ Recognition that Economic Sustainability and Increased ROI is directly correlated with integrating business and public goods.