



# 77<sup>th</sup> Annual Meeting Academy of Management



## ALL ACADEMY THEME *Panel Symposium*

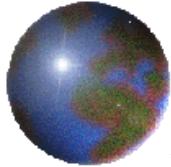
"INTERRELATIONSHIP OF BUSINESS  
AND PUBLIC GOODS

**Sponsor: ONE**

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

**Arthur Rubens**  
*Professor of Management*  
*Florida Gulf Coast University*  
*Fort Myers, FL*  
*arubens@fgcu.edu*

***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”

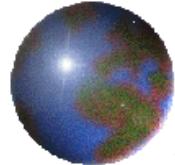
-Calvin Coolidge, 30<sup>th</sup> President of U.S.

- ◆ “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

FEBRUARY 26, 1990

GERMANY:  
The Rush to Unity

\$2.50

# TIME PREDATOR'S FALL

The collapse of Drexel Burnham,  
the house that junk built, is only  
the latest of Wall Street's woes.  
So where are the tears?

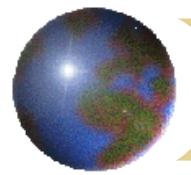


Deposed  
Dealmaker  
Michael  
Milken



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

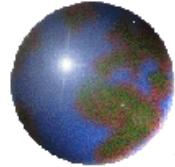




# Occupy Movement Wall Street vs. Main Street

## Nationalist Movements



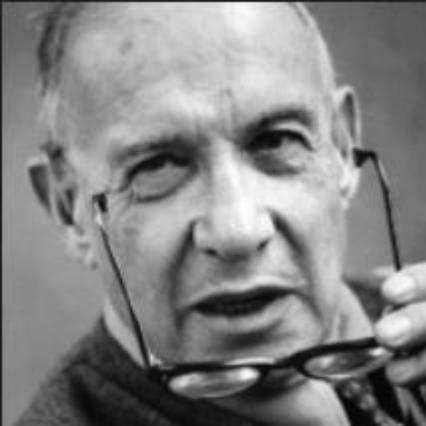


# *Organization Role in Society*



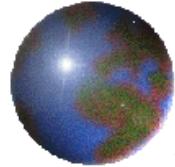
**“An organization is not an end in itself... An organization is an organ of society and fulfills itself by the contribution it makes to the outside environment.”**

**– Peter F. Drucker**



## Peter Drucker's Viewpoint..

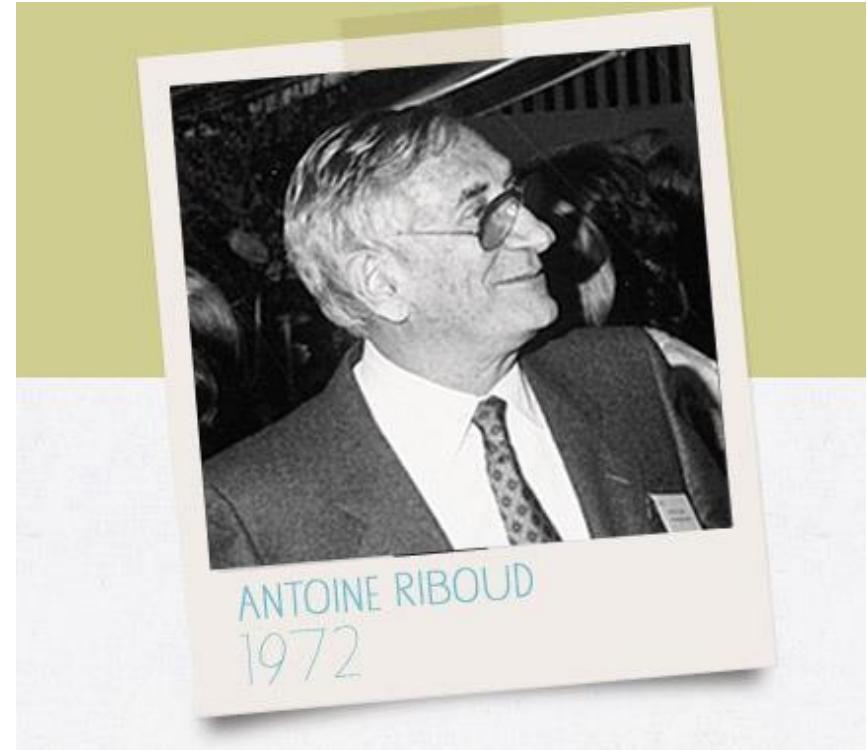
- “Any organization...needs a commitment to values and their constant reaffirmation, as a human body needs vitamins and minerals”
- “There has to be something ‘this organization stands for,’ or else it degenerates into disorganization, confusion, and paralysis.”

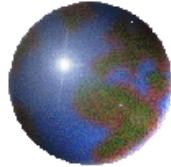


# *Organization's value creation*

*“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





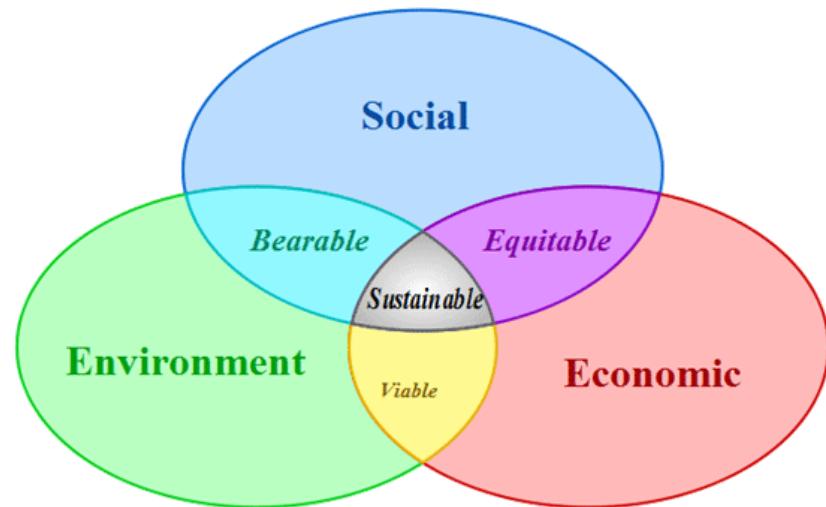
# Institutional Focus on CSR

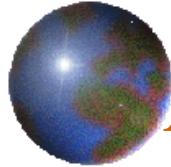


**United Nations**  
Framework Convention on  
Climate Change



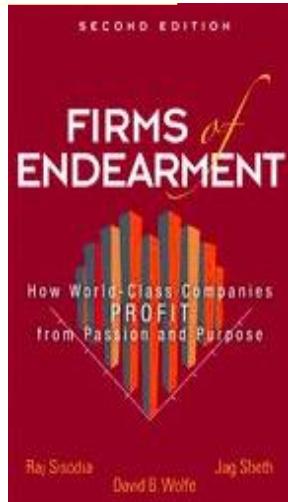
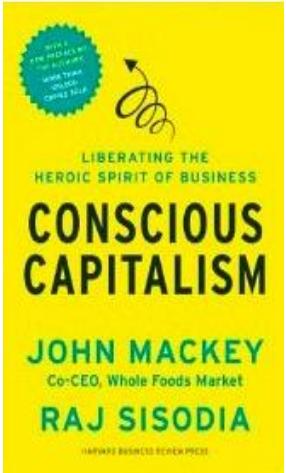
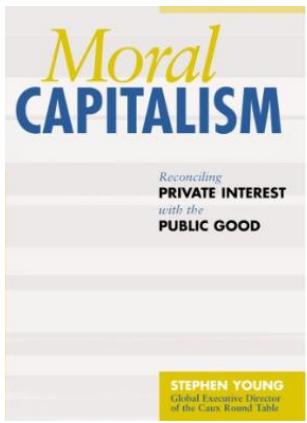
corporate  
responsibility



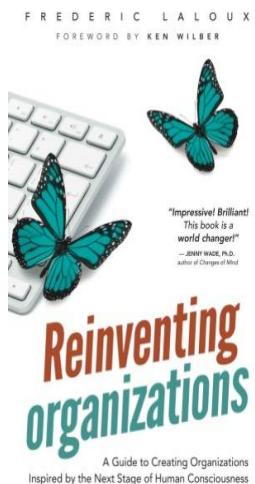
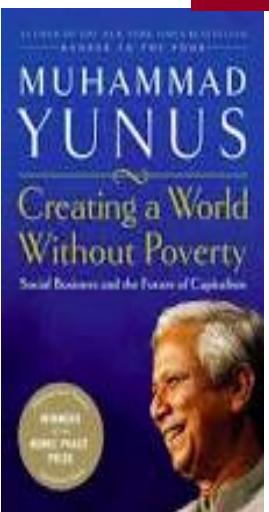
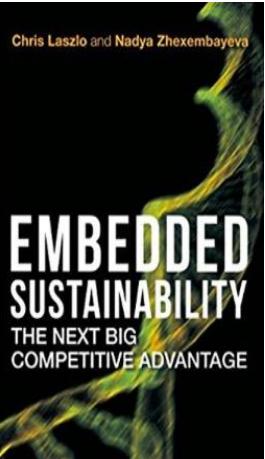
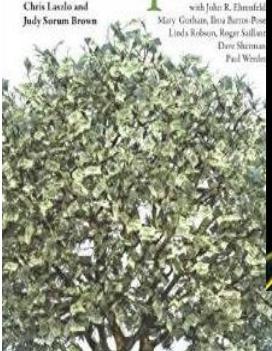


# New Role of Business/Public Goods

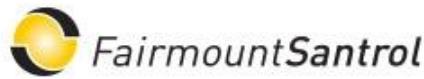
## New Streams of Research



## Flourishing Enterprise



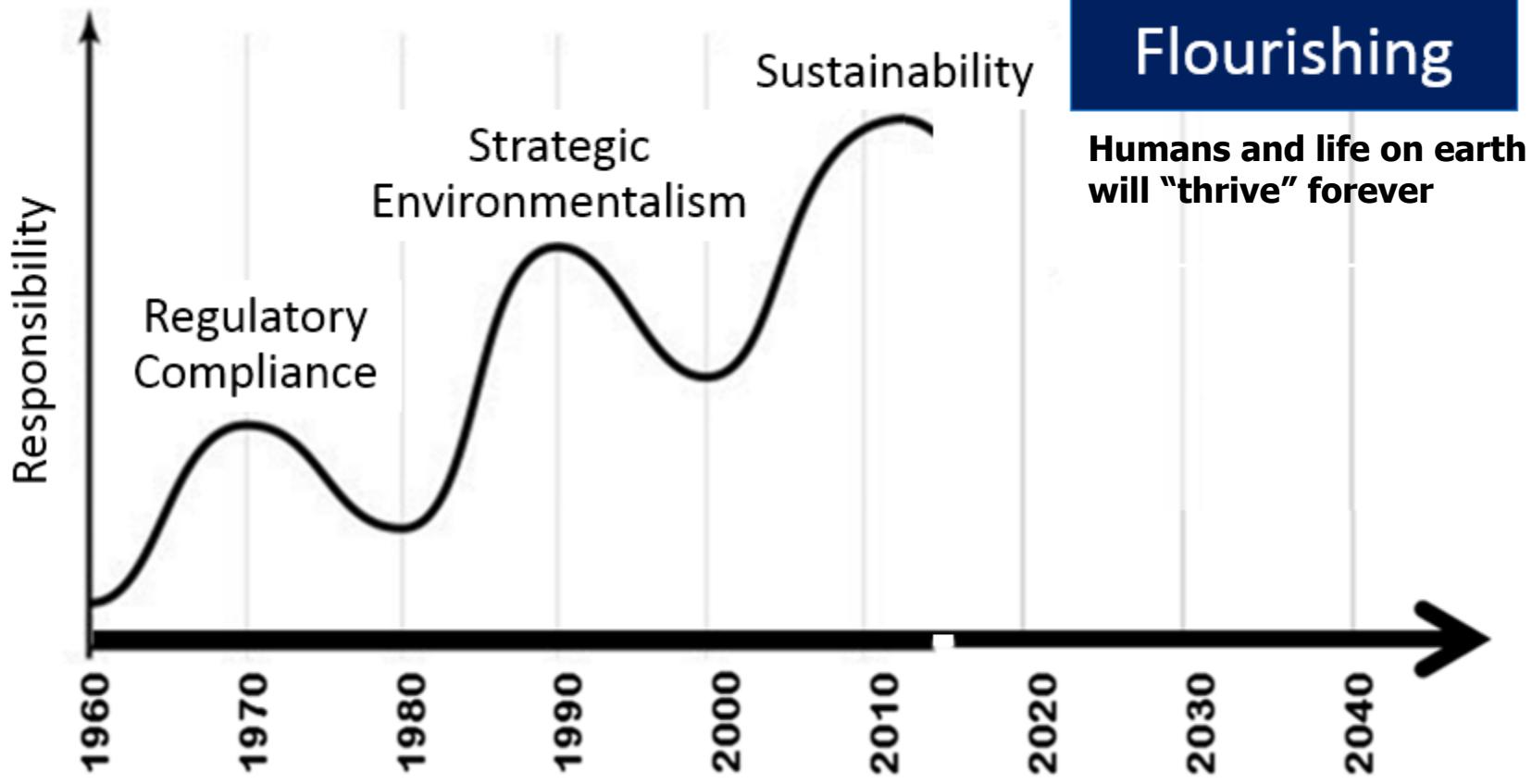
## Positive Impact Companies

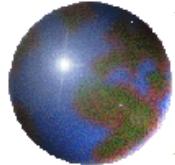


barry wehmiller

# Future: A New Spirit of Business

## Enterprise





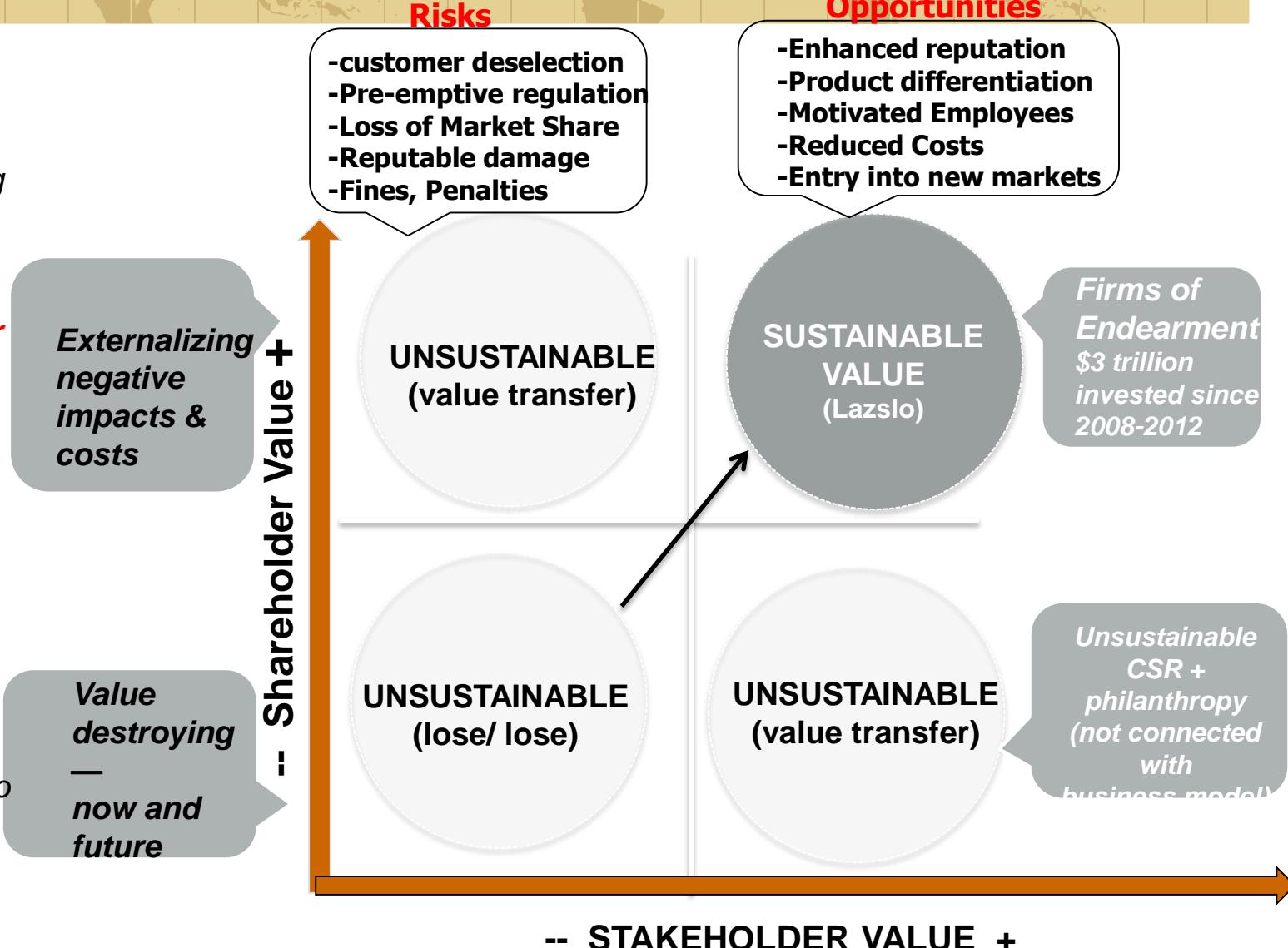
# Sustainable Value Framework

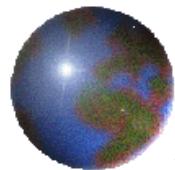
Creating ongoing  
Value for an  
organization  
**shareholders**  
and **stakeholder**

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

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

**Indispensable** to  
future  
competitive  
advantage

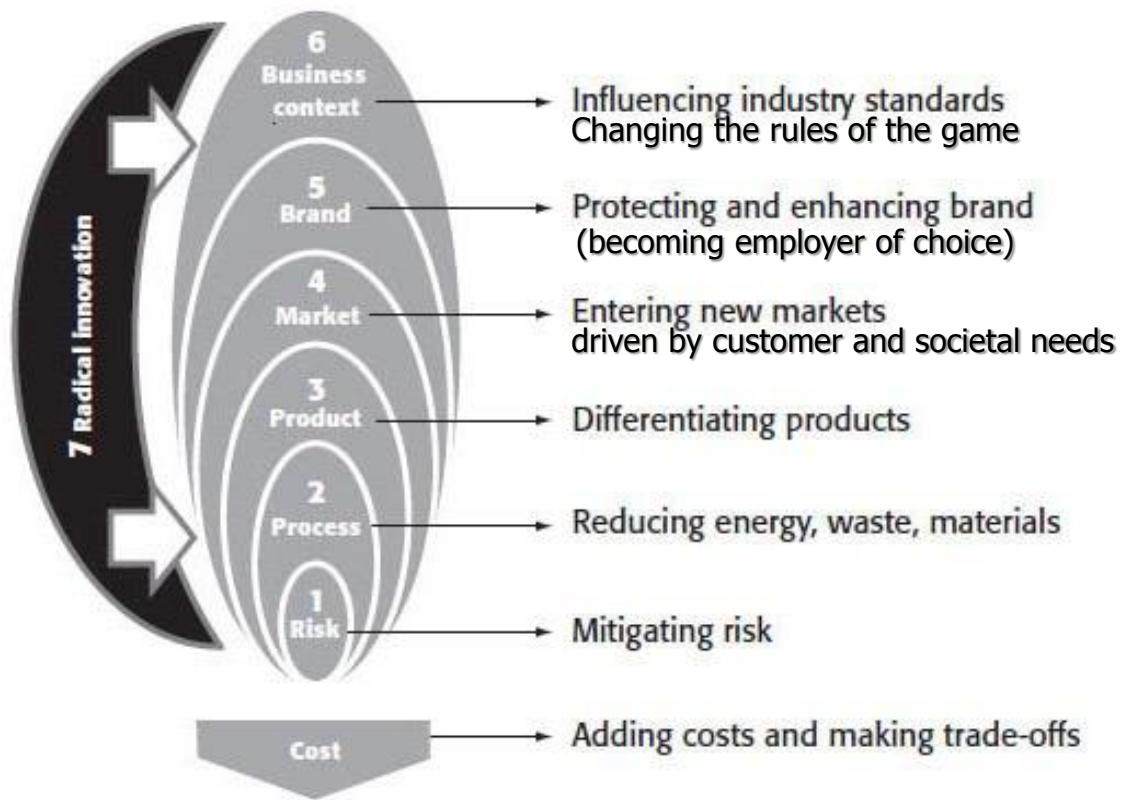




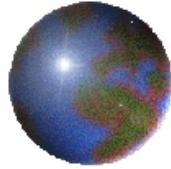
# 6+1 Levels of Strategic Focus

*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

SECOND EDITION

## FIRMS *of* ENDEARMENT

How World-Class Companies  
PROFIT  
from Passion and Purpose

Raj Sisodia      Jag Sheth  
David B. Wolfe

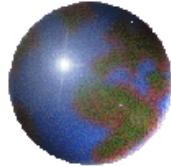
22 public/29 private  
15 non US Firms

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



**Endear your company to its stakeholders**

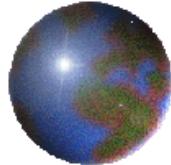
**Stakeholder Relationship Management Model  
(Stockholder Bias Model)**



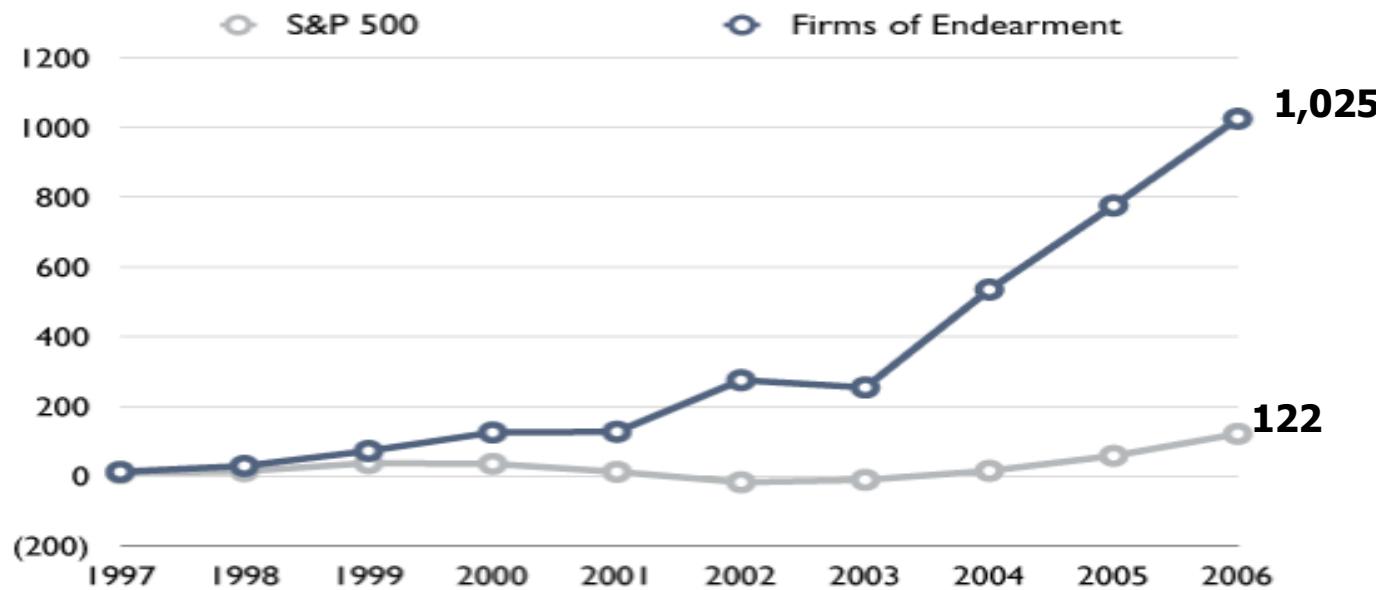
# Characteristic

- ❖ 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)



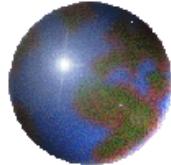


## *Firms of Endearment more profitable than S&P 500*



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.”

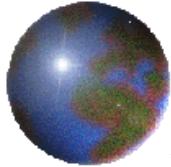
-Goldman Sachs, GS Sustain



*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

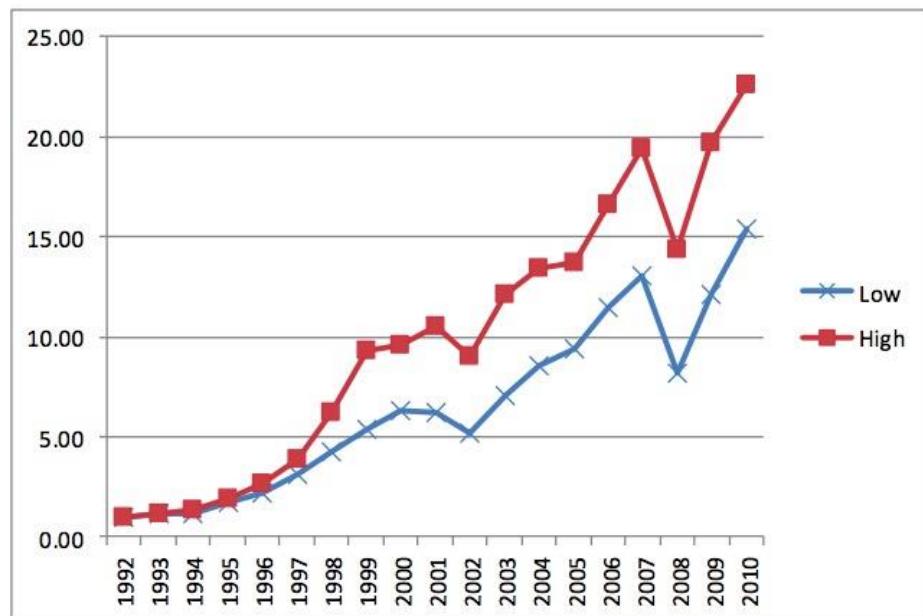


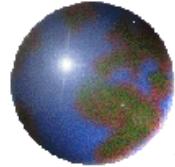
## *Eccles et al. – “The Impact of Corporate Sustainability on Organizational Processes and Performance”*

*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

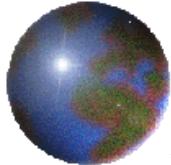




## New Attitudes



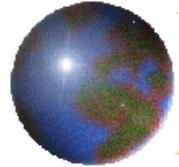
- Roger Martin, Michael Porter, Christopher Meyer and others have noted that the intent to maximize shareholder value has resulted in myopic management overly obsessed with short-term financial returns.
- Much has been lost in this shift
- ...with leaders increasingly arguing that new models need to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



# Moral Capitalism



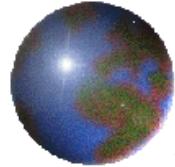
- A theory that integrates intangible moral considerations with traditional micro and macro economic postulates.
- It asserts that **interest and virtue** are not necessarily in conflict
- Virtue is an extension of interest rightly understood!



## Caux Round Table Principles for Business

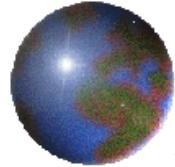
### Principles for Business General Principles

- 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 Kickstarter<sup>22</sup>**



# *Global Dialogue on Sustainable Development 2013*

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

- Sufficiency Economy Philosophy
- Moral Capitalism
- Sustainable Leadership



**“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.