



RESPONSIBLE CAPITALISM

A RESEARCH
INITIATIVE FOR
POSITIVE CHANGE

www.ecgi.global

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FOREWORD



Baron Herman Daems, ECGI Chair

Business must act more responsibly

Capitalism is a system for the creation and distribution of wealth. Like any human product, capitalism certainly does not work perfectly. It has many shortcomings.

Economic history suggests that per capita income levels in countries where capitalism is the dominant system are higher and grow faster over a longer period than in countries that have tried other systems. Other systems, certainly large ones, have not fared better on ecological measures. Our aim should be to acknowledge the shortcomings and failures of capitalism and to look for ways to improve it.

The issues of sustainability, inequality and exclusion create new challenges for capitalism and corporate governance.

Stimulating capitalism to act more responsibly is an effective way to make markets, companies and governments respond to today's ESG challenges while safeguarding creativity, innovation, and climate-compatible growth.

Making capitalism more responsible means that the capitalistic system must take responsibility for its shortcomings and must develop practices, policies and regulations that correct them.

ECGI's global network of top-level academics, influential policymakers and concerned business leaders is ideally composed and exceptionally capable of discussing the fundamental challenges facing global capitalism today and tomorrow.

VISION

Corporate Governance has become a societal question

Marco Becht, ECGI Executive Director



Embarking on an ambitious plan to answer key questions about the future of global capitalism, ECGI is calling for a research debate that seeks to explore the tension between the beneficial outcomes of capitalism, and the unequal consequences which are not aligned with democratic societies and the future of the planet.

The concept is defined by ECGI as *'an economic system that accommodates private ownership and the pursuit of market opportunities while achieving societal goals'*.

The project will create a vibrant, global, interdisciplinary hub examining the crucial interactions between corporations, finance, government and society.

It will engage and assist policy makers and other constituencies in interpreting research findings and to confront their thinking with the best available evidence. It will enable the different parties to understand what the academic evidence suggests and to draw practical conclusions and real world, adaptable solutions.

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There is a tension between promoting competition in global product and capital markets and the type of coordination that is needed to address environmental and social challenges.

Professor Marco Becht,
ECGI Executive Director

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Structure



Academic
research is an
important part of
change

The initial phase of the project features:

Three research programmes:

- Responsible Investment
- Family Capitalism
- Corporate Purpose

The programmes will evolve in response to interactions and feedback over a period of years.

Events

15 - 16 September 2022
Capitalism Revisited | Milan, Italy

21 October 2022
Inaugural Responsible Capitalism
Summit | Brussels, Belgium

ECGI Blog

Through comment & analysis from the ECGI network & beyond, the Blog will enhance the understanding of research, influencing the global debate.

ECGI Podcast and Interviews

A platform for critical dialogue and discussion. With interviews and analysis from experts, academics and business leaders.

Programmes



Responsible Investment



Responsible Investment Programme

Overview

Responsible Investment is transforming the international asset management industry. It comprises the incorporation of ESG issues into portfolios and active ownership (stewardship) that seeks to improve portfolio companies' ESG performance.

Research Questions

What are the motivations of investors to adopt responsible investment strategies?
Are certain investment strategies more efficient than others at delivering sustainable impact and/or financial performance?
Do investors walk the ESG talk?
How can we identify those that engage in greenwashing and assess and mitigate greenwashing related externalities for our economies, societies, and the natural environment?

Leadership

Programme Director:

Caroline Flammer

Columbia University and NBER; Director of Columbia University's Sustainable Investing Research Initiative (SIRI).

Programme Chair:

Rajna Gibson Brandon

University of Geneva; Founder, Geneva Finance Research Institute and ECGI.



Responsible Investment

We are in the midst of multiple crises—global health, climate crisis, biodiversity loss, poverty, inequality, and other societal grand challenges. A typical first reaction is that it is the government’s role and responsibility to take care of these crises. Yet, government actions are often lacking or insufficient or bear externalities. This puts the spotlight and responsibility on the private sector to help mitigate these challenges. Accordingly, understanding how and to what extent (non-profit and for-profit) organizations and investors can grow and sustain their organizations over time while strengthening—instead of undermining—the very system in which they operate is important, as organizations can play a critical role in addressing the sustainability challenges our economies are facing.

While the private sector is increasingly incorporating environmental, social, and governance (ESG) considerations in their investment practices, key hurdles remain to make progress. The same applies to academic research. In particular, accounting, finance, law, and management scholarship is typically confined to estimate the portfolio- or firm-level sustainability performance. In other words, research typically does not take into account how asset allocation, strategic management, and investment practices impact society and the natural environment and, vice versa, how societal and environmental risks (and opportunities) impact firms’ business and investment practices. Yet, doing so is critical in order to foster a more sustainable world.

To foster research that goes beyond the portfolio- and firm-level, the ECGI’s Responsible Investing Program will encourage research that adopts a systems-focused approach and examines the relationship between investment and environmental, social, and economic risks and opportunities. Furthermore, it will foster research that analyzes whether investment practices can really move the needle in generating “tangible” sustainability improvements, and research on greenwashing, its economic and societal costs, and the implications for policy. To encourage new research that adopts a systems-focused, multi-disciplinary, and policy-oriented approach, the ECGI’s Responsible Investing Programme will organize conferences, workshops, and other research activities in the upcoming years.



Programmes



Family Capitalism



Family Capitalism Programme

Overview

Family-controlled firms are ubiquitous, both among publicly listed and privately owned entities. They are essential for the future of capitalism and their role merits reflection and debate.

Research Questions

Do family firms have sufficient access to capital markets?
Are family firms committed to sustainability?
Is the family firm model sufficiently understood by institutional investors?
Are changes ahead in the priorities and actions of family businesses and ESG?

Leadership

Programme Director:

Anete Pajuste

Stockholm School of Economics and ECGI

Programme Chairs:

Morten Bennedsen

University of Copenhagen, INSEAD and ECGI

Yupana Wiwattanakantang

National University of Singapore and ECGI



Family Capitalism

Can family firms be a force for good in a world with increasing global challenges, where global competition makes business more powerful and undermines the social stability of societies? Family firms have a unique potential for being change makers through exercising long-term business strategies, value-based leadership models and engage in philanthropy and impact investment. However, the lack of checks and balances, the dependence on key individuals' incentives to engage in broader issues and the ability to engage in global tax avoidance in reality may reduce the actual role of business families as a force for good.

Families in business naturally engage in global challenges because they think in generations. To be change makers, a family in business must develop institutions that secure both the family's and the business' engagement and accountability in environmental, social and governance issues.

Family business founders want to build legacies for the coming generations. In addition, long living families often foster loyalty. Often it starts with loyalty towards the founder's ideas and products and extend to the employees that have made the founders ideas possible. Since the firm often stay in the place it was created loyalty includes the local community including the families of the employees, the development of the city or region and contributing to solving social and educational challenges or support regional development in general. As families and businesses grow this loyalty may include a broader part of the society and can often be extended to the entire country of origin.

Family business leadership is value based. Research has shown that owner-managers often have strong values. Values that are visible in family leaders and spread though other family members and often long into the business they run. Studies have also verified that businesses with more family involvement on average have more value driven leadership and such values are correlated positively with honesty, strategy implementation and indeed profit. Thus, value-based family business seems to be in a strong position to be responsible to a larger group of stakeholders which include employees, communities and beyond. Interesting though, values-based leadership is NOT on average correlated with being more responsible to nature.

An increasing dependence on philanthropy and impact investment from businesses and families do however raise some broader questions: First, it highlights that businesses are getting stronger and democratic governments are getting weaker. Will there be a democratic problem if social, educational and environmental policies to an ever-larger extent if executed by private firms and families in business? Second, the world is becoming smaller and the ability to move financial wealth around the globe has never been larger. From the many tax paper revelations, we have seen that families in businesses often are very aggressive in minimizing their taxes. Is there a paradox in families aggressively minimizing their corporate, income and other taxes, while at the same time donate ever more money to the solve some of the challenges that governments lack resources for?

Programmes



Corporate Purpose



Corporate Purpose Programme

Overview

The purpose of business is the reason why it has been created and its reason for being. It has become a central focus of business practice, policy, and academic research. There is a need for a substantial body of research that evaluates the relationship between purpose and performance of firms in not just financial terms but also in relation to impact.

Research Questions

What precisely is meant by the purpose of business? Is it a business tool, a reconceptualisation of business, or a policy agenda? Is it, or should be, legally relevant and, if so, how? How does it relate to such topics as sustainability, responsibility, inclusivity, and ESG?

Leadership

Programme Director:

Jennifer Hill

Monash University and ECGI

Programme Chairs:

Colin Mayer

University of Oxford and ECGI

Jordi Canals

IESE Business School



Corporate Purpose

While an old topic, corporate purpose has risen to prominence over the last few years. The reason is a growing disquiet in many quarters about the single-minded focus of business on profit and financial value as the predominant objective of firms.

It is central to debates in corporate law around questions of corporate personhood, the fiduciary responsibilities of directors, the accountability of boards to stakeholders as well as shareholders, and the regulation of companies. It is closely related to issues about corporate ownership, governance, and the financing of firms. And it bears directly on the role of the financial sector; environmental, social and governance factors; activism; and engagement.

However, there are divergent views on what is or should be the purpose of business and, while there is growing recognition of mounting problems in relation to environmental, human, and social impacts of companies, there is little consensus about their causes and even less about their appropriate remedies.

To some, these problems reflect a deficiency of the design and enforcement of traditional tools of anti-trust, regulation, and taxation, and a need for more effective anti-trust policy, tougher regulation, and more effective use of tax to address market failures. To others, conventional tools are not efficient means of dealing with the problems. Instead, the failures stem from fundamental defects of the way in which corporate and financial sectors operate.

There is a pressing need for better understanding of the issue and more evidence to evaluate contending hypotheses.

Until recently a major limitation on empirical research on corporate purpose has been the paucity of available data. But this is changing and the availability of alternative sources of data is expanding. There are three areas in which there is a particular need for more academic analysis. The first is in relation to the role of business purpose in promoting business performance. It is frequently asserted that corporate purpose is associated with enhanced corporate performance but there are few studies providing rigorous empirical evidence. Furthermore, studies evaluate performance in traditional, predominantly short-term, financial terms and do not establish the degree to which purposeful companies confer benefits on other parties in the long-term.

The second area relates to corporate law and purpose. There is much discussion on whether effective implementation of corporate purpose requires changes in corporate law or whether existing law is sufficiently flexible and permissive to allow companies to adopt and enact their chosen purposes. Related to this are questions about the accountability of boards of directors to external parties, in particular employees and other stakeholders as well as shareholders, for delivery of and deviations from corporate purpose.

The third area concerns the relation of corporate purpose and responsible investment which are often unclear and confused. This gives rise to concerns about “greenwashing” and a lack of authenticity. Underpinning all three areas are questions about precisely what is meant by corporate purpose.

ECGI BLOG



Igniting and influencing the global debate

A key pillar of the Responsible Capitalism project is the ECGI Blog, which aims to provide a global perspective on corporate governance, showcasing the work of scholars, practitioners, and policymakers in the field. Through comment and analysis from the ECGI network and beyond, the Blog aims to enhance the wider understanding of related research, igniting and influencing the global debate.

The platform, which is overseen by both an Editorial Board and Advisory Board, focuses on selected themes with global interest and spotlights a new theme every few months. An e-newsletter containing new blog posts is circulated to the ECGI's global network twice monthly.

The ECGI Blog operates with the generous support of a number of volunteers from the ECGI network.

Editors-in-Chief

Wei Jiang (Emory University and ECGI)

Dan Puchniak (Singapore Management University and ECGI)

Associate Editors

Philipp Krueger (University of Geneva & Swiss Finance Institute and ECGI)

Dionysia Katelouzou (Dickson Poon School of Law, King's College London)



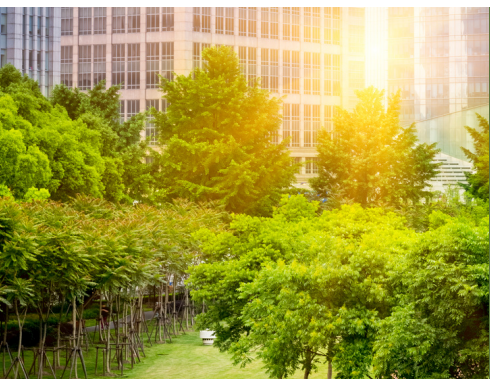
"How corporations and financial markets are governed will shape the future of humanity.

Therefore, we must think creatively, act ethically, and respond globally. The ECGI Blog will leverage the global network of the Institute and the combined knowledge across regions, disciplines and industry to help shape a better world."

Dan Puchniak, Co-Editor-in-Chief



Project Aims



The project will form a bridge between academic research, business and policy



Aims & Outcomes

ECGI's Responsible Capitalism project aims to:



Serve as a global knowledge portal and a neutral platform for exchange, dialogue and dissemination



Attract researchers, policy makers, regulators, business leaders, financial intermediaries, investors, journalists and other interested parties.



Assist policy makers & other constituencies in interpreting research findings & to confront their thinking with the best available evidence.



Enable the different parties to understand what the academic evidence suggests and to draw practical, real world conclusions.



Become a prime resource for teaching at business schools, law schools, university departments and other educational institutions or programmes.



Responsible Capitalism will shape the future of capitalism, influence the global policy landscape and be a conduit for positive change.

How to Support



The goal of
research is
progress

Join Us

The project's initial fundraising target is EUR 600,000 per annum. Funding is sought from a relatively small number of donors who are interested in making pledges to the European Corporate Governance Research Foundation (ECGRF), a recognised charity.

Currently major donors (Patrons) of ECGRF are BlackRock, Investor AB and AstraZeneca Plc, having each made a pledge of at least EUR 250,000, which funds the ongoing activities of the ECGI.

Becoming a major donor and/or sponsor has the following benefits:

Visibility: a unique platform to reach and interact with ECGI's highly engaged and influential global membership and subscriber base.

Reputation: a valuable association with the ECGI that ensures positive reputational benefits and the opportunity to lead from the front.

Become a Project Partner

EUR 300,000 over three years

Become a Patron of ECGRF

EUR 250,000 over five years

Become a Sponsor

EUR 50,000 | Responsible Capitalism Summit

EUR 50,000 | Responsible Investment Programme

EUR 50,000 | Family Capitalism Programme

EUR 50,000 | Corporate Purpose Programme

EUR 30,000 | ECGI Blog

EUR 30,000 | ECGI Podcast

EUR 10,000 | Working Paper Prizes

Become a Member

EUR 2,750 annually | Institutional Membership

EUR 250 annually | Practitioner Membership

EUR 100 annually | Academic Membership

Become a Donor

Donate any amount to ECGRF

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Responsible Capitalism Initiative



ECGI promotes the development of new ideas through research, that extends the boundaries of our understanding of how corporate governance contributes to the flourishing of business, economies, societies and our world.

CONTACT US



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