HEC PARIS

Do socially responsible managers violate their fiduciary responsibilities

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Outline

1] Managers (should) act for the preservation and expansion of the firm

2] Shareholders recognize the value of responsible management

3] New research questions

1] Managers (should) act for the preservation and expansion of the firm

Firms do not just belong to shareholders; firm purpose is not profit

Robé, J. P. (2020). *Property, Power and Politics: Why We Need to Rethink the World Power System*. Policy Press.

Managers should obey boards and shareholders

-from shareholder primacy to shareholder duacy

-*duacy* is both property and propriety

Manifesto : Shareholder *duacy* & 21st century corporate governance (on ssrn)

Hence, by being responsible, managers act in the interest of the firm *and* of its shareholders

2] Shareholders recognize the value of responsible management

Most aggressive shareholders separate undue managerial value appropriation or purpose-washing from business-related embedded CSR

DesJardine, M. R., Marti, E., & Durand, R. (2021). Why Activist Hedge Funds Target Socially Responsible Firms: The Reaction Costs of Signaling Corporate Social Responsibility. *Academy of Management Journal*, 64(3): 851-872

Long-term investors tilt their investments toward CSR-active firms

Durand R, Paugam L, Stolowy H. (2019). Do investors actually value sustainability indices? Replication, development, and new evidence on CSR visibility. *Strategic Management Journal* 40(9): 1471-1490

Asset managers develop new market and investment categories

Arjaliès, D. L., & Durand, R. (2019). Product categories as judgment devices: The moral awakening of the investment industry. *Organization Science*, 30(5), 885-911

Therefore

Because

managers (should) act for the preservation and expansion of the firm

and shareholders recognize the value of responsible management,

Then

managers as agents of the firm and by the principle of shareholder *duacy* need not limit their understanding of fiduciary duty to financial performance stricto sensu. By acting responsibly, they meet their duty

3] New Research Questions

Responsible management is not CSR; it's strategy

hence redefinition of the strategy field as encompassing financial and extrafinancial performance in a monetary fashion

Stakeholder management research **must formalize** a time discounted/accounted model of value contribution and value claim on a firm performance to help managers decide on trade-offs

Strategy research needs to acquaint again with the **philosophical** underpinnings of (value) **sharing** and **morality in management** (three schools: deontology, consequentialism, and ethics of virtue)