

QUASI Seminar Series: February 18th, 2022, Chat Transcript

Topic: **Do Socially Responsible Managers Violate Their Fiduciary Responsibility?**

Yes: Don Siegel; No: Rudy Durand; It Depends: Ed Freeman; In Practice: Daniel Hurstel

- 11:33:12 From Sandra Hamilton to Everyone: I'm in the UK. This is my Friday evening entertainment!
- 11:33:58 From Sealy, Ruth to Everyone: Likewise, hello from Devon, UK.
- 11:36:02 From Mike Barnett to Everyone: Thanks everyone for joining! Please post any questions and comments into the chat box here.
- 11:51:19 From Mike Barnett to Everyone: Quiet crowd today!
- 11:53:46 From Sealy, Ruth to Everyone: We're just paying close attention :)
- 11:53:47 From Mike Barnett to Everyone: Regarding Don's point, I think the question then becomes, how do firms know if it pays, especially if the payoffs are intangible, and what's the timeline? Can managers claim unclear, long-term returns, or must the returns be clear and calculable to avoid being a violation of fiduciary responsibilities?
- 11:54:51 From Kathleen Rehbein to Everyone: I would like more explanation of duacy??
- 11:54:56 From Ken Pucker to Everyone: I am curious how Dan believes that companies can accurately measure intangibles such as employee retention and recruitment and / or brand value or building resilience when making ROI positive CSR decisions?
- 11:56:07 From Aline Gatignon to Everyone: To what extent does connecting CSR with financial performance risk undermining (or perhaps reinforce!) relationships with other stakeholders involved (e.g., NGO partners in CSR projects, employees doing corporate citizenship projects, beneficiaries of CSR, customers...)
- 11:56:45 From Ken Pucker to Everyone: Sorry. Don not Dan.
- 11:58:10 From Aparna to Everyone: How will our discussion on the responsibilities of managers change when CSR becomes a mandate as per law?
- 12:00:29 From Donald Siegel to Everyone: Ken, I agree that in practice, it is very difficult to quantify the ROI to CSR, especially since the benefits may accrue across different functional areas of the business (e.g., HR. production)
- 12:03:06 From Mike Barnett to Everyone: Flipping it a bit, say that a firm has a rogue manager. How could we/the board/shareholders tell that the CSR actions that the manager is taking are not reasonable?
- 12:06:27 From David Orozco to Everyone: Question: there is a practice labeled "predatory infringement" where large well-resourced companies willfully infringe patents held by small co.'s or inventors and exploit high litigation costs and patent enforcement uncertainty under our current (U.S.) legal system . Would it be CSR to avoid this strategy and license the tech even though the latter strategy might benefit the firm the most. Interested to hear each speakers' perspective. Thanks!

- 12:14:27 From Mike Barnett to Everyone: It seems rather difficult to refute a manager's judgement about what constitutes actions taken in pursuit of the firm's (long-term) interests, when the returns to the firm are intangible.
- 12:17:56 From Aline Gatignon to Everyone: Yet outside the CSR sphere, managers pursue long-term and intangible benefits and we do more work to measure the ROI (employee benefits, advertising, etc.). If firms were clear on the objectives of CSR this might not be such an obstacle?
- 12:19:25 From Martina Kohlberger to Everyone: The scandal around ORPEA is interesting. I wonder however how sustainable the share price slump is. Customers (and shareholders) are forgetful
- 12:23:29 From Kathleen Rehbein to Everyone: What about the B corporations--is that the way to go in solving this question? or moving toward stakeholder capitalism?
- 12:23:53 From Sandra Hamilton to Everyone: I think there is an increasingly fragmented regulatory landscape here, fostering different understanding. However the US dominance of the management journals continues to deliver a strong US lens. I watched as British Columbia created B Corp legislation to address a problem that we did not have in Canada!!! This left many firms in Canada believing that they had to become a B Corp to be socially responsible firm, which they do not under Canadian Law.
- 12:25:32 From Charles H. Cho to Everyone: This debate is just difficult to have when there are such strong fundamental differences positions and beliefs about what the role of a corporation is in society, who owns it, what duties it has towards whom, etc. (good ol' Friedman mantra vs. the non-Friedmanian one). In other words, it is almost like a religion. The only place where a change of perspective is possible is in our classroom by teaching CSR 'our' way - not with managers and certainly not academics anchored in their (our) beliefs.
- 12:26:06 From Ellie Okada to Everyone: Prof Durand; - I understood, Thank you : extra-financial performance in monetary term- does it a reflection of reduced capital costs that result from sustainability? I understood the quantification of externality.
- 12:27:09 From Kathleen Rehbein to Everyone: Just a clarification--I meant certified B corporations which are already over the world. I do agree that there is quite a bit of institutional variation/context in looking at this issue! I thought Daniel's presentation about France really illustrated that!
- 12:28:11 From rudy durand to Everyone: @Ellie: yes this is one the manifestation of monetization of extrafinancial performance. What we'd like is convergence in methods so that there is no suboptimal multi-equilibria (each firm choosing its calculation method satisfying their creditor or investor...)
- 12:30:16 From Ellie Okada to Everyone: Yes.

- 12:33:31 From Keyvan Maleki to Everyone: Are we holding the entire C-Suite equally accountable for the violation - Projects, products, services are susceptible of cost/budget overrun ... Chief Marketing, Chief Innovation, Chief Finance, CEO
- 12:35:13 From Oded to Everyone: Stealing intellectual property is criminal. Isn't there a distinction between CSR and criminal activities?
- 12:36:21 From David Orozco to Everyone: In the U.S. willful (intentional) patent infringement is not criminal. Copyright, trade secret and trademark theft is a criminal act, however.
- 12:36:22 From Charles H. Cho to Everyone: I agree - Friedman is not gone (yet)
- 12:37:11 From chelsea green to Everyone: We think of them shareholders as holding the risk.
- 12:39:42 From Charles H. Cho to Everyone: (MBA) students agree with this kind of statements: ""If products are sort of mispriced and there's an opportunity, we will act appropriately in terms of doing what I assume our shareholders would like us to do." "My primary responsibility is to Valeant shareholders." J. Michael Pearson, Valeant Pharmaceuticals, CEO. So we still need to go to the 'basics'
- 12:39:57 From chelsea green to Everyone: A corporation is a creature of the state.
- 12:45:15 From Vic Woo to Everyone: If shareholder theory is to stay, what if there is a way for shares (different classes) to represent various stakeholders? For example, in addition to preferred shares, there is the environment share, common shares, as well as social shares. The question will be how to allocate or 'sell' these other types and who would 'own' them.
- 12:47:03 From Denis Simunovic to Everyone: @Sarah Dadush totally agreeable
- 12:49:53 From rudy durand to Everyone: <https://www.stopecocide.earth/making-ecocide-a-crime>
- 12:50:30 From Mike Barnett to Everyone: Would anyone else like to ask a question?
- 12:51:51 From Naomi Gardberg to Everyone: Thank you
- 12:52:02 From Flore Bridoux to Everyone: Thanks Ed, Rudy and Don.
- 12:52:03 From Sarah Dadush, Rutgers Law School -- she/her to Everyone: Thanks!!
- 12:52:03 From Petra Christmann to Everyone: Thank you
- 12:52:03 From Denis Simunovic to Everyone: Thank you
- 12:52:07 From Vic Woo to Everyone: Thank you
- 12:52:09 From Aline Gatignon to Everyone: Thank you !
- 12:52:11 From Renee Cornell to Everyone: thank you!
- 12:52:12 From Laura Brock to Everyone: Thank you!