



BSR Conference 2008 | Sustainability: Leadership Required Do Forms of Ownership Matter?

Breakout Session Summary

Wednesday, November 5, 2008 | 10–11:30 a.m.

Speakers

- **Rob Frederick**, Vice President of Corporate Responsibility, Brown-Forman Corporation
- **Susan MacCormac**, Partner, Morrison & Foerster
- **Rajiv Ranjan**, Vice President, Corus International Americas
- **Allen White**, Vice President and Senior Fellow, Tellus Institute (moderator)

Highlights

- How forms of ownership impact corporate social responsibility (CSR) is not an issue on the current CSR agenda. Forms of ownership create both challenges and opportunities for enacting global, social, and environmental solutions.
- Private ownership gives a company more freedom to set its own agenda, and this can have both positive and negative implications. Without shareholder oversight, a company can spend more money on CSR initiatives; however, without this oversight companies do not need to be as transparent.
- We will not be able to make CSR returns appear as meaningful as financial returns until we have greater expectations for transparency and better measurement structures for social and environmental impacts.

Memorable Quotes

- “It is not so much that one [ownership] form is better than another, but how CSR is managed and what the company can accomplish.” —Rob Frederick, Brown-Forman Corporation
- “Unless there is a fundamental change to the rules to which every corporation adheres, there is not going to be change fast enough to significantly address what we are facing.” —Susan MacCormac, Morrison & Foerster

Overview

Currently, discussing forms of corporate ownership is not a key topic on the CSR agenda. White opened the discussion asking if this conversation could have significant and far-reaching impacts on the field of CSR.





Business for Social Responsibility

Ranjan began with a CSR story about Tata, a company founded over 130 years ago by a family committed to reinvesting corporate returns to build local economic capacity in India. Ranjan spoke about strategically investing in industries—such as steel and technology—that are likely to create value for nation building. Ranjan closed his remarks with a look into the future: As the company grows, it now faces the challenge of passing its established values onto newly acquired companies in culturally different markets.

Frederick focused on running CSR programs in companies with majority family ownership. He showed the audience the Brown-Forman family tree to demonstrate how family ownership promotes relationship building and links stakeholders together. The operating structure of Brown-Forman promotes an environment of internal cohesion, where the values are often so strong that it is not necessary to make the business case for CSR initiatives. However, Frederick pointed out that all families are dysfunctional; all families have their secrets. In a family-owned business, you must manage competing interests, personalities, and histories, which can at times make transparency difficult to achieve.

MacCormac opened her statement with a warning that if business practices do not change, we will not be able to address the significant risks currently threatening our world. She posed the question: What is it about ownership structures that make it so hard to implement CSR initiatives? First, executives are compensated in stock options and are incentivized to seek short-term returns rather than long-term value creation. Second, Wall Street has become the measure of companies' success. Third, perceptions of fiduciary duty to stockholders are limiting corporate behavior more than is warranted by the actual legal structures. She posited that in order to move from “band-aid solutions” to restorative policies, boards will need to take a more aggressive stance on implementing sustainability solutions. MacCormac also pushed for increased disclosure and measurement frameworks, as well as increased government regulation. She also mentioned using shareholder obligation as a way to enact change.

Companies act for many reasons—values, return on investment, shareholder returns, etc.—and by expanding the conversation to include questions of ownership structure, companies expand both their scope of action and their ability to effect large-scale change.

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