Boards

# Cash or Continuity?

## When the investors come knocking

By
Peter VERHEZEN
Steffi GANDE

Amrop

Leaders For What's Next

# Cash or Continuity?
When the investors come knocking

## In Brief

When eager suitors enter the arena, what should the rules of the game be? Short-term profit maximization for shareholders, or longer-term value optimization for stakeholders? When your company is offered a high stock price or an otherwise-tempting proposition, shouldn't shareholders accept? Or is the reality more complex and ambiguous? In this article we revisit assumptions of 'shareholder primacy', the link with fiduciary duty, and find out how and why sustainable performance is increasingly important not only for organizations, but for investors.

### The Investors Are At The Door

In the past 3 years some of the world's most famous multinationals have been the targets of high-profile takeover bids. From pharmaceutical company Allergan, to FMCG giant Unilever, and PPG Industries, a major producer of paints, coatings and specialty materials. All bids were rejected by the organizations' boards, in part due to strategic differences - a conflict of interest between stakeholder and shareholder value.

### There is a Core Dilemma

How to react to a takeover bid (or other investment proposition)? The discussion boils down to two perspectives: short-term profit maximization, versus longer-term value optimization. Is the investor short-termist, playing or trading stock on the capital markets? Or seeking ROI over a longer period, caring for critical stakeholders (employees, customers and even the wider community)? Surely, many argue, any top executive should above all else enrich the owners of the company he/she is leading? Isn't this what fiduciary duty is all about? The answer, we argue, is no – if 'owners' are taken to mean 'short-term shareholders.'

### The Throne of shareholder supremacy Is Wobbling

Over forty years the concept of 'fiduciary duty' has fallen prey to a series of misinterpretations, to the point that it is now widely taken to mean 'shareholder primacy'. The idea that shareholders should ultimately dictate the functioning of a company provides a robust platform for short-term stakeholder activism, and it has faced some serious counter-arguments over the years. Two recent rebuttals include an HBR article: "The Error at the Heart of Corporate Leadership," and a dismissal of shareholder primacy by Lynn Stout as an abstract economic theory that lacks support form history, law, or empirical evidence.

3 flaws in the shareholder primacy argument

1. Ignoring key stakeholders can create an existential threat. Without an engaged, proficient work force or loyal customer base, a company will underperform - also financially. And acting in a socially or environmentally responsible way is an increasingly important factor in how people choose where to work or what to buy.
2. Shareholders are not a single 'entity'. Different shareholders have different motivations and time perspectives.

3. Many shareholders – particularly activist or hedge fund - are essentially risk-takers. They are providing capital to enhance short-term performance and their own portfolios. They should be distinguished from block holding investors, or significant owners in family conglomerates.

## It's Time to Re-Frame 'Fiduciary Duty'

Executives are not 'agents' of shareholders, whose job is to 'serve' their interests as the organization's 'owners'. Their duty should be seen as *loyalty to the organization and its sustainable/long-term value*. And that needs to extend beyond organizational walls: to customers, employees, lenders, and other relevant stakeholders. If shareholders could be seen as first among equals, they are certainly not the only major player a responsible organization must consider.

## Investors Have Their Sights On ESG

If potential suitors must demonstrate care for the long-term interests of organizations, so too must target organizations. In its 2016 *Report on US Sustainable and Responsible Investing Trends,* the US SIF (Forum for Sustainable and Responsible Investment) found ESG integration was the most common strategy for investors in asset-weighted terms: 62% practice it across $1.5 trillion in assets. 300 money managers practice it in some form, so that "as much as $5.8 trillion could be engaged in ESG integration." These findings are echoed by *"Why and How Investors Use ESG Information"* A survey of 413 senior, largely mainstream, investment professionals with $31 trillion in Assets Under Management (43% of global institutional AUM). The authors find 82% using ESG data because it is "financially material to investment performance". Many do so due to growing client demand or formal mandates. Yet they face barriers: incompatible reporting across firms, a lack of reporting standards, and the costs of gathering and analyzing ESG data.

## In Conclusion

It's time to uncouple 'fiduciary duty' from 'shareholder primacy' and reinstate its true definition: *loyalty and care to the organization.* And ESG criteria are increasingly important for organizations - and investors.

Ultimately, it is not shareholders who have the responsibility of guiding an organization. It is the board who *steers* or *governs* it, and who shows care (or not) to the organization and its stakeholders.

Going forward, boards will increasingly need to weigh up the interests of share and stakeholders (beyond organizational walls) when considering sources of capital or their response to a seductive takeover offer (often amidst a chorus of stakeholder activism). Those seeking investment will need to present compelling ESG evidence.

The question boils down to instant gratification (short-term shareholder profitability) versus the longer-term creation of organizational value, where stakeholders' interests are taken seriously, and the 'no-harm' adage prevails.

➔ Go to the Full Article ➔➔

## 4 Leading Questions

1. If your Board received a takeover bid today, to what extent would its response be led by 'shareholder primacy'?
2. What kind of an organization does your Board envision? At what moral level should it operate?
3. How important are non-financial objectives? What value do individual Board Members attribute to sustainability, and ESG criteria? What beliefs? Where are the zones of tension?
4. To what extent are ESG criteria embedded in corporate reporting, and convincing?

# Cash or Continuity?

## When the investors come knocking

### Allergan's Wrinkles

Headquartered in Dublin, Ireland, the multinational pharmaceutical company Allergan is perhaps best-known for Botox Cosmetic, a drug widely used in cosmetic surgery. In July 2014 the company, which had been performing well, was presented with an unsolicited takeover bid from an alliance between Valeant Pharmaceuticals International and Pershing Square, a hedge fund.

Allergan's board rejected the offer: Valeant's planned cuts to Allergan's R&D budget did not serve the company's shareholders and its business model was unsustainable. In response, activist shareholder Bill Ackman berated the Allergan board for *their failure to do what they were paid to do by the 'company's owners'*. He wrote: "It has been nearly five months since Valeant proposed to merge with Allergan. During this period, Allergan has distinguished itself in running the most shareholder-unfriendly, hostile defense process perhaps in the history of corporate America. In doing so, Allergan has wasted corporate resources, poisoned its relationship with its shareholders, and destroyed shareholder value."[i]

US regulatory documents revealed that Pershing Square, Ackman's hedge fund, had over several months purchased 9.7% of Allergan stock, giving Ackman a clear stake in the proposed takeover. (Ackman, unsurprisingly, had voted his shares in support of the sale).

**In the past 3 years some of the world's most famous multinationals have been the targets of high-profile takeover bids.**

From pharmaceutical company Allergan, to FMCG giant Unilever, and PPG Industries, a major producer of paints, coatings and speciality materials. All bids were rejected by the organizations' boards, in part due to strategic differences - a conflict of interest between stakeholder and shareholder value.

The case is cited by Joseph Bower and Lynn Paine in 'The Error at the Heart of Corporate Leadership[ii],' a Harvard Business Review article, in support of their argument that the main duty of most CEO's and Boards is *not*, contrary to a widely-held assumption, to maximize shareholder value.

What Bower and Paine could not have predicted as they assembled their thesis was the outcome of the takeover bid. In December 2017, nearly four years after the Allergan furor, an insider-trading lawsuit was launched against Valeant and Pershing Square. A settlement[iii] was reached wherein the two parties agreed to pay $290 million to settle investor claims, pre-empting the trial set for the following month. Ultimately, the two agreed to share the payout, Pershing Square paying $193.75 million and Valeant $96.25 million.

This is just one example of a recent series of highly-publicized takeover bids at odds with the long-term view of the target companies' boards.

## Leveraging Unilever

Amongst the most high-profile takeover bid is the unsolicited approach to Unilever by Kraft Heinz (controlled by Warren Buffett and private equity firm 3G Capital), in February 2017. Unilever countered that "it saw no reason to discuss a deal without financial or strategic merit."[iv]

A year on, Unilever CEO Paul Polman seemed to refer to the abandoned bid[v] in an address at the CECP CEO Investor Forum to 200 major investors representing $25 trillion in assets under management. Without naming Kraft Heinz, he referred to "a clash between people who think about billions of people in the world and some people that think about a few billionaires." As the UK Financial Times reported: "Mr. Polman told them to stop asking companies like his why they heeded environmental, social and governance concerns and start pressing those that did not do so to explain "why [they] have the courage to destroy . . . this wonderful planet" Investors with a responsibility to generate long-term returns to match their pension liabilities had the same responsibility to ensure that their members "are retiring in a world they can live in", he said."

## Painting the Town Red

In 2017, Pittsburgh-based PPG Industries Inc. a global manufacturer of paints, coatings, and specialty materials made three unsolicited takeover proposals to Dutch AkzoNobel N.V., a global paints, coatings and specialty chemicals company (and owner of the Dulux brand). Each was rejected by AkzoNobel's management and supervisory boards. The takeover was not in the interests of AkzoNobel and its shareholders, undervaluing the business and risking substantial job cuts, they said.

The feud sparked an energetic - and public - debate. Politicians and the business community supported AkzoNobel amidst fears of a general sell-off of Dutch multinationals. AkzoNobel's shareholders, on the other hand, reacted angrily. Their chorus was led by Elliot International L.P, an activist hedge fund. As a shareholder of AkzoNobel, it stood to make a substantial profit on its investment portfolio as a result of the acquisition.

AkzoNobel was presented with litigation from Elliot. The hedge fund claimed that, by refusing to engage with PPG, AkzoNobel's leadership had failed to comply with corporate governance obligations. In a lawsuit brought before the Enterprise Chamber, Elliot requested a corporate enquiry and an extraordinary general meeting with the dismissal of the Chairman of the Supervisory Board and the appointment of a special supervisory director on the agenda. The Enterprise Chamber turned down the request.

Stibbe, the law firm representing AkzoNobel, states:[vi] "In assessing a takeover proposal, the management board, under supervision of the supervisory board, must be guided by the interest of stakeholders with a view to long-term value creation… a term frequently used in the new Dutch Corporate Governance Code. As a result, the board may reasonably reject a takeover bid even against the will of the majority of the shareholders."

PPG abandoned its pursuit after several months. However, the battle led to a new CEO, Thierry Vanlancker, whose nomination was supported by Elliot[vii]. All legal procedures were suspended, with three new extra commissioners set to be appointed. For the third, AkzoNobel declared it would consult its major shareholders. With its 10 percent holding in AkzoNobel, Elliot would presumably have a say.

# Knock Knock – Who's (Really) There?

"Barbarians At the Gate: The Fall of RJR Nabisco" relates the leveraged buyout – at the time the largest in history - of RJR Nabisco, an American tobacco and food conglomerate, famous for Winston Cigarettes and Oreo Cookies. This modern business classic recounts a two-month takeover drama that has earned its place in the annals of corporate history as a symbol of greed and egocentricity.

The term 'barbarians' has been the undertone of a number of press articles reacting to the Unilever and AkzoNobel cases. Barbarians are viewed as ruthless marauders, unconcerned by the consequences of their corporate raids for their targets' employees, communities or customers. They take as their sole operating criteria the perspective of profit at any cost. They have few, if any, reservations about carving up a company and selling out. In that sense, 'corporate barbarism' is a profit-hunting technique that will disregard "corporate life in the organization" as and when necessary.

When barbarians push at the gates not only of companies but of national borders, countries can draw on a range of arguments to fend them off, whether in the name of protecting crucial industries, or proclaimed independence. However, getting politicians involved in board processes is a bad, even illegitimate idea. Obviously, politicians develop policies and execute them at a national level, setting the boundaries within which individual and corporate citizens are expected to function. But in the case of AkzoNobel, the politicians poured (unnecessary) fuel on the fire, by trying to prevent foreign barbarians to take over perceived national strategic assets. A similar debate arises when Chinese, or other national investment funds, attempt to take over strategic assets in the US, UK or European countries.

It is ultimately the task of the board, subject to shareholder votes, to determine whether an organization is merged or taken over, or not – as long as regulatory boundaries are respected.

It is ultimately the task of the board, subject to shareholder votes, to determine whether an organization is merged or taken over, or not – as long as regulatory boundaries are respected.



Amrop

## The Upside of Tough

Whatever the outcry about 'stakeholder activism' or 'barbarians', it's important to take a balanced view. Investors have an increasingly keen eye on the sustainability of their targets' performance – implying good ESG performance. And entrenched or lazy boards may indeed be failing to curate the interests of all shareholders, whether day-traders, short-term, or block holder. So shareholder activists may serve a useful purpose: questioning the legitimacy of CEO bonuses or ruffling the feathers of an entrenched board.

Most 'barbarians' focus on short-termism and financials, often raising stock price in the process. But they don't necessarily contribute to long-term success. The best way to address them is to have a clear strategy and keep it firmly in sight.

Most, however, focus on short-termism and financials, often raising stock price in the process. But they don't necessarily contribute to long-term success. The best way to address "barbarians" is to have a clear strategy and keep it firmly in sight[viii].

This is one of the reasons for which traditional Anglo-Saxon corporate governance practices suggest having a majority of independent, non-executive directors on boards, looking after the interests of the organization. This focus on board independence makes sense in the US and the UK, because of dispersed ownership, as in the case of Unilever and AkzoNobel.

In contrast to the US and the UK, many organizations in mainland Europe and Asia are family businesses, or fully or partially state-owned. Their ownership is usually concentrated in the hands of a few, or with a body of historically-grown reference shareholders (block holders). These long-term investors will less easily be swayed by minority activists. Still, the psychological tendencies are similar: how to protect reference shareholders and the board?

### Cash or Continuity? The Core Dilemma

Essentially, the discussion boils down to two different perspectives:

| Short-term profit maximization, obeying shareholder primacy | vs | Longer-term optimization of earnings, respecting and validating relevant stakeholders |
|---|---|---|

Ideally, the answer will depend on the orientation of the potential investor: short-term-focused and playing/trading stock on the capital markets, or seeking to secure ROI over a longer period, caring for the stakeholders that make or break the company (employees, customers and even the wider community).

# The wobbling throne of shareholder supremacy

Surely any top executive, under all circumstances, should undertake all endeavors to enrich the owners of the company he/she is leading (as fiduciary duty seems to claim)? The answer is *no*.

Over the past forty years, the concept of 'fiduciary duty' has fallen prey to a series of eloquent misinterpretations, to the point that it is now widely understood as meaning 'shareholder primacy'.

We can trace this concept back to a New York Times article published in 1970. Penned by the American economist Milton Friedman, the article was uncompromisingly titled: "The Social Responsibility of Business Is to Increase Its Profits."

Over the following years, a number of convincing arguments have arisen to gradually dismantle the notion of shareholder primacy - and reinstate the true meaning of fiduciary duty.

Earlier, we referred to a recent Harvard Business Review article "The Error at the Heart of Corporate Leadership." However, even if this is one of the latest counter-theses, it is certainly not the first.

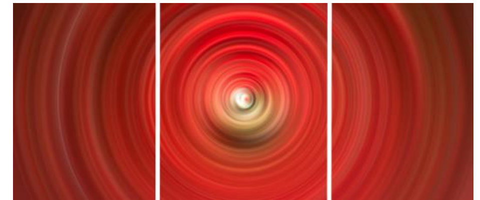
Back in 1984, R Edward Freeman, an American Philosopher and Professor Business Administration published his seminal work: "Strategic Management: A Stakeholder Approach."[ix] In it, Freeman outlines his "stakeholder theory" of organizational management and business ethics. This sets out how management can and should address the interests of a corporation's stakeholder groups, according to "the principle of what really counts." Shareholders, Freeman argues, are only one of several parties involved in fiduciary duty.

Lynn Stout is an expert in corporate governance, financial regulation and moral behavior. Her publications include the award-winning book: "The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations and the Public." In a 2013 article, "The Myth of Shareholder Value"[x] Professor Stout is sweeping in her dismissal of shareholder primacy, describing it as "an abstract economic theory that lacks support form history, law, or the empirical evidence. In fact, the idea of a single shareholder value is intellectually coherent." Ironically, three prominent columnists have published articles questioning Milton Friedman's proposition in the same newspaper that first showcased it, the article reveals.

**Lynn Stout is sweeping in her dismissal of shareholder primacy** describing it as "an abstract economic theory that lacks support form history, law, or the empirical evidence. In fact, the idea of a single shareholder value is intellectually coherent." Ironically, three prominent columnists have published articles questioning Milton Friedman's proposition in the same newspaper that first showcased it, the article reveals.

## Shareholder Primacy – 3 Counter-Arguments

Here are just three flaws in the notion that shareholders should dictate the functioning of a company.



### 1 Failing to take account of key stakeholders can create an existential threat

Without an engaged and proficient workforce, or loyal customer base, a company is doomed to underperform in every sense, including financial.

Acting in a socially or environmentally responsible way is becoming critical in the way people decide where to work or what to buy. If (particularly millennial) employees or clients don't feel a company is responsible, it will have a hard time attracting or retaining talent, or convincing customers who want 'untainted' products. And as ROI suffers, so will shareholders.

Australia's Commonwealth Bank (CB) systematically misled the Australian Securities and Investments Commission over its widespread selling of junk insurance to students, pensioners and the unemployed. As a result, in 2017, CB finally agreed to reimburse about 64,000 customers.[xi].

The same year, the UK Financial Times reported that UK banks (including HSBC, Barclays, and Lloyds) had reserved over £1.5bn (US$2.1bn) to handle a rise in claims for mis-sold payment protection insurance schemes (PPIs), taking the total cost of "the costliest mis-selling debacle in the history of UK consumer financial services" to more than £35 bn.[xii]

### 2 Shareholders cannot be viewed as a single 'entity'

Different shareholders have different motivations and time perspectives – short, medium and long-term.

If it is the organization's mission to provide great products and services that do not harm people or the environment, then providers of capital should be fairly remunerated. Shareholders who align with that mission and are willing to hold onto their stock for a certain period (beyond seconds, minutes or days, short term speculation without care or loyalty) deserve to be treated well. But even that does not justify making such shareholders sovereigns of the organization, or adhering to the dictates of shareholder supremacy.

### 3 Many shareholders are essentially risk-takers

This is particularly the case for activist or hedge fund shareholders

Here we come back to the problem we raised at the outset of our article. Many investors or shareholders who subscribed to an IPO, or after-an-IPO-equity-trading are providing capital to enhance the short-term performance of the organization, and their own portfolios.

### It's Time to Re-Frame the Concept of Fiduciary Duty

Far from being Milton Friedman's 'agent' of shareholders, whose job is to serve their interests in their capacity of the organization's 'owners', we can argue that executives' duty of loyalty should be literally interpreted as loyalty to *the organization and its sustainable or long term value*.

And that duty needs to extend beyond organizational walls. An organization should take care of its customers, its employees, (who may well have higher stakes than investors), and its lenders. So whilst shareholders could be seen as *first among equals*, they are certainly not the only major player a responsible organization needs to consider.

# Investors Have Their Sights On ESG

A significant shift is underway in the mindset of some of the world's most influential investors. Not only must potential *suitors* demonstrate that they have the long-term interests of organizations firmly in their sights – so, too, must *target* organizations.

In his Annual Letter to CEOs, Larry Fink, Chairman and CEO of BlackRock, the world's largest asset manager with $6.3 trillion in assets, clearly confirmed his expectation that businesses operate in a sustainable way, adopting the wider stakeholder perspective: "Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they serve.

Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and in the process, sacrifice investments in employee development, innovation, and capital expenditures that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives. And ultimately, that company will provide subpar returns to the investors who depend on it to finance their retirement, home purchase, or higher education."

Without a sense of purpose, no company... can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and in the process, sacrifice investments in employee development, innovation, and capital expenditures that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives. And ultimately, that company will provide subpar returns to the investors who depend on it to finance their retirement, home purchase, or higher education."

Larry Fink, Chairman and CEO, BlackRock

**The US SIF (Forum For Sustainable and Responsible Investment) aims "to rapidly shift investment practices towards sustainability focusing on long-term investment and the generation of positive social and environmental impacts."**
Its membership spans management and advisory firms, mutual fund companies, asset owners, financial planners and advisors, and broker-dealers. Its 2016 Report on US Sustainable and Responsible Investing Trends reveals ESG integration to be the most common strategy in asset-weighted terms: 62% of 100 survey respondents practice it across $1.5 trillion in assets. The report also identifies 300 money managers as practicing some form of ESG incorporation, extrapolating that "as much as $5.8 trillion could be engaged in ESG integration."

300 money managers are practicing some form of ESG incorporation. This means that the potential amount of money engaged in ESG integration could be up to:

**$5.8 trn**

**82%**

of investment professionals use ESG data because it is "financially material to investment performance."

**These findings are echoed in other surveys,** including a report cited by the HBR in its introduction to The Best-Performing CEOs in the World 2017[xiii]. Amir Amel-Zadeh and George Sarafeim (Oxford University's Said Business School and Harvard Business School) sampled 413 senior, largely mainstream, investment professionals with $31 trillion in assets under management (43% of global institutional AUM).

**Examining investors' motivations to consider ESG data,**
the paper[xiv] reveals 82% use it because it is "financially material to investment performance". A significant percentage are responding to a growth in client demand, or formal client mandates. They face barriers, however. The biggest is the lack of comparability of reporting across firms, with a lack of reporting standards as a major inhibitor. Also problematic are the costs of gathering and analyzing ESG data, and quantifying ESG information.

**ESG Data use** | Drivers and Barriers

**Drivers**

- Growth in client demand
- Formal client mandates.

**Barriers**

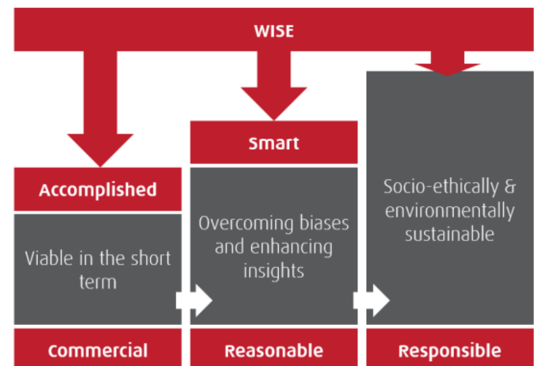
- Incomparable reporting
- Lack of reporting standards
- Costs of gathering, analyzing and quantifying ESG data and information

### Still Some Way To Go

Beside the positive indicators found by Amel-Zadeh and Sarafeim, some still consider ESG to be irrelevant or inappropriate: 22% of US investors (versus 4% of European peers) not only consider ESG information immaterial to investment performance, but think that using it would even violate their 'fiduciary duty' (8% of European investors hold that opinion). However, they remain the minority, and given the increasing evidence in favor of ESG compliance, that minority may be set to shrink further still.

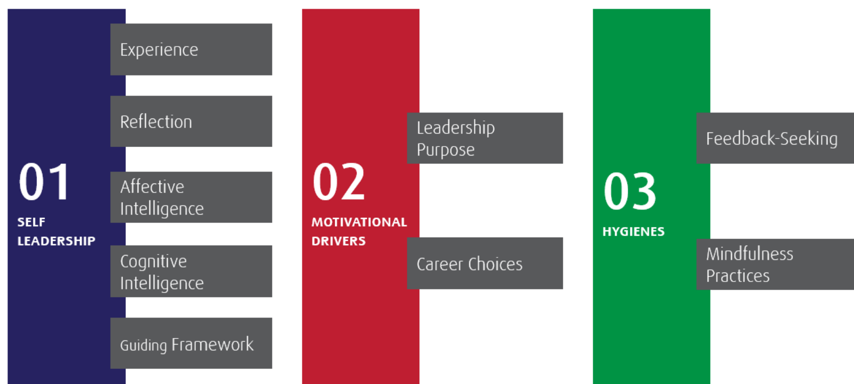
# The Step From Smart, to Wise

In a recent Amrop global study, "Wise Decision-Making: Stepping Up to Sustainable Business Performance[xv]" we argue that accomplished, or smart decision-making, (commercial or reasonable), whilst essential, will no longer earn organizations the legitimacy to operate. Going forward, leaders will not only need to be accomplished or smart, but wise: making decisions in a way that is socio-ethically and environmentally sustainable. In short, not just reasonable, but responsible.




The study assesses individual leadership characteristics, factors within the scope of leaders' control. It is organized along 3 pillars. *Self Leadership* (how leaders exercise self-governance and managerial wisdom), *Motivational Drivers* (what drive leaders' choices) and *Hygienes* (how leader nourish their decision-making 'health').

### 3 Pillars of Wise Decision Making




Wise decision-making means taking ecologically and socio-ethically sound decisions in a pragmatic way – one that acknowledges the difficulties, dilemmas and gray areas of modern business. Wise leaders are able to surmount ethical barriers and take enlightened, responsible decisions. They give due respect to all stakeholders involved in creating value for the organization, as one should expect from anyone who takes the duty of loyalty and care seriously.

The study reveals that whilst leaders are on the path from smart to wise, they are missing vital steps and opportunities – for example, in stopping a decision in the face of counter-evidence, or involving diverse, qualified (and especially confrontational) stakeholders in decisions, risking groupthink and commitment bias. And if the moral guiding light is certainly in sight, with leaders placing a high emphasis on wise decision-making, it is often lost in the clouds, with the majority reporting that they have faced ethical blockages during the past 3 years, mainly due to profit imperatives, local business culture and practices, and the demands of other leaders in the organization.

It concludes with a set of leading questions for boards concerning organizational strategy. Whether the investors are knocking, or you are seeking investment, overleaf are just some of them.

# Leading Questions

**1**

**Supposing your organization received a takeover bid today...**

↓

How likely would it be to follow the shareholder primacy argument? What strategic or tactical argument for accepting or declining?

**2**

**How does your organization balance shareholder and stakeholder perspectives?**

**3**

**What kind of an organization does the Board envision? At what moral level should it operate?**

**4**

**How important are non-financial objectives currently considered to be, when it comes to sustainable performance? What should be the business case, in your view?**

**5**

**What value do individual Board Members attribute to sustainability, and ESG criteria? What beliefs?**

↓

E.g. vital for a legitimate organization, old wine in new bottles, hidden socialism, or a PR exercise? Where are the zones of tension (and/or consensus)?

**6**

**To what extent are ESG criteria embedded in corporate reporting, and convincing?**

**7**

**How do you envision the creation of a high-performing board?**

→

Is there the right chemistry among board members to fulfill the duty of loyalty and care as a group?

# References

[i] Ackman: Allergan Has The 'Most Shareholder-Unfriendly' Defense In The 'History Of Corporate America', *Business Insider, September 9, 2014*
[ii] Bower, J.L., and Paine, Lynn S., (2017) :The Error at the Heart of Corporate Leadership", *Harvard Business Review, May-June*
[iii] Pershing Square, Valeant to Pay $290 Million to End Lawsuit, *Bloomberg, December 29, 2017*
[iv] Kraft Heinz bids $143 billion for Unilever in global brand grab, *Reuters, February 17, 2017*
[v] Unilever chief admits Kraft Heinz bid forced compromises, *The Financial Times, February 27, 2018*
[vi] AkzoNobel v. Elliott: viewpoints for target company conduct in hostile takeover situations, *Stibbe*
[vii] Akkoord AkzoNobel en Elliot over conflict, *NRC, 16 August, 2017*
[viii] George, B. & J.W. Lorsch, (2014), "How to outsmart activist investors", *Harvard Business Review*, May: 88-95
[ix] Freeman, Edward R., (2010) Strategic Management, A Stakeholder Approach (revised), Cambridge University Press, New York. (First published under the Pitman Publishing Imprint in 1984)
[x] Stout, Lynn A., "The Shareholder Value Myth" (2013). *Cornell Law Faculty Publications.* Paper 771
[xi] Banking royal commission: Commonwealth Bank pushed junk insurance to students, pensioners and unemployed, *The West Australian, 19 March 2018*
[xii] UK banks set aside further £1.5bn for PPI rush, *The Financial Times, July 28, 2017*
[xiii] McGinn, D., (2017) 'Best Performing CEOs in the World' *Harvard Business Review,* November-December 2017
[xiv] Amel-Zadeh, A., Serafeim, G., (2017), *Why and How Investors Use ESG Information: Evidence from a Global Survey,* Said Business School, University of Oxford, Harvard Business School
[xv] Verhezen, P., Gande, S., Hausammann, P., 2018. *Wise Decision-Making: Stepping Up to Sustainable Performance*, an Amrop Publication

# Further Reading


Badaracco, J.L., (2013), *The Good Struggle. Responsible Leadership in an Unforgiving World*, Cambridge MA, Harvard Business School Press

Badaracco, J.L., (2016a), *Managing in the Gray. Timeless questions for resolving your toughest problems at work*, Cambridge MA, Harvard Business School Press

Badaracco, J., (2016b), "How to tackle your toughest decisions", *Harvard Business Review*, September: 104-107

Bazerman, M.H., (2014), *The Power of Noticing. What Best Leaders See*, New York, Simon & Schuster

Bazerman, M. H. & F. Gino, (2012) "Behavioral ethics: toward a deeper understanding of moral judgment and dishonesty", *Annual Review of Law and Social Science*, 8(8):85-104.

Beard, A. & R. Hornik, (2011), "It's Hard to be Good", *Harvard Business Review*, November, Pp. 88-96

Bower, J.L.; Leonard, H.B., & L. Paine, (2011), *Capitalism at Risk. Rethinking the role of business*, Cambridge, Harvard Business Review Press

Charan, R., Carey, D. & M. Useem, 2014, *Boards that Lead. When to take charge, when to partner, and when to stay out the way*, Cambridge (MA), HBRPress

Eccles, R; Ioannou, I & G. Serafein, (2011), "The Impact of Corporate Culture of Sustainability on Corporate Behavior and Performance", *Harvard Business School Working Paper* 12-035, November

Elkington, J., (1997), *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Oxford, Capstone

Elkington, J. & J. Zeitz, (2015), *The Breakthrough Challenge. 10 Ways to connect today's profits with tomorrow's bottom line*, San Francisco, Jossey Bass

Freeman, R.E. (1994). "The politics of stakeholder theory: Some future directions", *Business Ethics Quarterly*, 4, 409-422

Gentile, M.C., 2010, "Keeping your colleagues honest", *Harvard Business Review*, March, pp.114-117

George, B. & J.W. Lorsch, (2014), "How to outsmart activist investors", *Harvard Business Review*, May: 88-95

Harrison, J. & E. Freeman, (1999), "Stakeholders, Social Responsibility, and Performance: Empirical Evidence and Theoretical Perspectives", *Academy of Management Journal*, Vol. 42 (5): 479-485

Kanter, Rosabeth Moss, (2011), "How Great Companies Think Differently", *Harvard Business Review*, November, pp.66-78

Larcker, D. & B. Tayan, (2011), *Corporate Governance Matters. A closer look at Organizational Choice and their Consequences*, New Jersey, FT Press

Macey, J.R., (2013), *The Death of Corporate Reputation. How Integrity has been destroyed on Wall Street*, New Jersey, Pearson Education FT Press

Martin, R. & A. Kemper, (2012), "Saving the Planet. A Tale of Two Strategies", *Harvard Business Review*, April, pp.48-46

Nowak, M.A. & S. Coakley (Eds), (2013), *Evolution, Games and God. The Principle of Cooperation*, Harvard University Press, Cambridge MA

Rappaport, Alfred, (2011), *Saving Capitalism from Short-termism. How to build long-term value and take back our financial future*, NY, McGraw Hill

Rauch, D., (2011), "Conscious Capitalism: a better road map", *California Management Review*, Spring, Vol. 53(3): 91-97

Shiller, R.J., (2012), *Finance and the Good Society*, Oxford; Princeton, Princeton University Press

Sinek, Simon (2009), *Start with Why. How great leaders inspire everyone to take action*, New York, Penguin-Portfolio

Sinek, Simon (2013), *Leaders eat last. Why some teams pull together and others don't*, New York; London, Portfolio Penguin

Stout, Lynn, (2012), *The Shareholder Myth. How putting Shareholders first harms Investors, Corporations, and the Public*, San Francisco, Berrett-Koehler Publ

Stout, J.H. & R. Li, 2004, "Corporate Governance and Organizational Integrity", *University of St. Thomas Law Journal*, pp.925-950

Zak, P.J., (2017), *Trust Factor. The Science of Creating High-Performance Companies*, New York, Amacom

**About Dr. Peter Verhezen**

Peter is Adjunct Professor for Governance and Ethical Leadership at the Melbourne Business School (Australia) and Visiting Professor for Business in Emerging Markets and Strategy and Sustainability at the University of Antwerp and Antwerp Management School (Belgium). As Principal of Verhezen & Associates Ltd. and Senior Consultant in Governance at the International Finance Corporation (World Bank) in Asia Pacific, Peter advises boards and top executives on governance, risk management and responsible leadership. He has authored a number of articles and books in the domain.

www.verhezen.net

**About Amrop**

With over 70 offices in more than 50 countries, Amrop is a trusted advisor in Executive Search, Board and Leadership Services. It is the largest partnership of its kind.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

www.amrop.com