



## CHANGING THE WORLD THROUGH RESPONSIBLE BUSINESS PRACTICE

*Andrew Ratcliffe, director of Private Client Holdings*

Covid-19 has highlighted the fact that businesses play a key role in contributing to society. More businesses are realising the essential need to operate responsibly in order to prosper – and this doesn't just mean giving back to the communities in which they operate.

This is not a new concept, just one that has been highlighted by the pandemic. Responsible businesses are those which realise they are an intrinsic part of society, and acknowledge that, like family, government, and religion, they are one of society's important pillars. Responsible businesses work to make money, of course, but in their choices of how to do so, they think about building enduring institutions. They invest in the future while being aware of the need to build people and society.

As stated in an article on Harvard Business Review about how great companies think differently: "Institutional logic holds that companies are more than instruments for generating money. They are also vehicles for accomplishing societal purposes and for providing meaningful livelihoods for those who work in them. Be that by changing operating procedures to accommodate a hybrid work from home / work from office model, or facilitating extra care and support for staff, or by simply providing a common purpose."

Rather than viewing organizational processes as ways of extracting more economic value, great businesses create frameworks that use societal value and human values as decision-making criteria. They believe that corporations have a purpose and meet stakeholders' needs in many ways: by producing goods and services that improve the lives of users; by providing jobs and enhancing workers' quality of life; by developing a strong network of suppliers and business partners; and by ensuring financial viability, which provides resources for improvements, innovations, and returns to investors.

We can use our own company as a good example. Five years ago, we wanted to simplify our vision and mission statement and developed a snappy by-line – "Nurturing Wealth" which we believed summed up our company vision and mission, specifically aimed at our clients. We have now taken this much further into a much broader ethos of nurturing our

staff, our suppliers, our communities, and even ourselves! Private Client Holdings has embraced an ethos of nurturing.

In addition to consumers demanding corporate responsibility, as well as the moral imperative associated with businesses being responsible, another reason why leaders and employees – at all levels – should embrace socially responsible initiatives includes the fact that digital natives (those born after 1980 ) form a majority of their workforce.

<h2>Digital Immigrants</h2>	<h2>Digital Natives</h2>
	
<ul style="list-style-type: none"> <li>• Adopters of the web technologies</li> <li>• Prefer to talk in person</li> <li>• Logical learners</li> <li>• Focusing on one task at a time</li> <li>• Prefer to have interaction with one or few people rather than many</li> <li>• Get info from traditional news sites</li> </ul>	<ul style="list-style-type: none"> <li>• Born during or after the digital age</li> <li>• Always on, attached to a phone or other device</li> <li>• Intuitive learners</li> <li>• Multitask and rapidly task-switch</li> <li>• Extremely social</li> <li>• Multimedia oriented</li> </ul>
	

Digital natives want to work at companies that demonstrate they are responsible businesses, and a company's greatest asset is its people. Added to this, employees perform better when they engage in socially responsible activities and they become more innovative and collaborative leaders. Responsible businesses develop new markets and improve operations by building and strengthening partnerships and can potentially access increased capital.

### **How does an organisation's demonstrated business responsibility impact the investment appeal and potential of that organisation?**

What the public think of a company is critical to its success. Research shows that people are extremely concerned with Corporate Social Responsibility and ESG investing. According to Moody's recently released report: "Funds & Asset Management – US: ESG investment outperformance overcomes investor hesitancy, a key barrier to growth", inflows into



environmental, social and governance strategies grew 140% in 2020 from the year before. Highlighting that investors reward companies that are responsible by supporting them, or likewise, avoid the ones which are perceived as irresponsible.

Experience shows us that companies with responsible business practices are more likely to prosper over the long term. They are better at managing their risks and responsibilities and are likely to be better prepared to meet future strategic challenges and take advantage of new business opportunities. They have happy, repeat clients, treat employees fairly, consider their environmental impact and implement robust corporate governance practices. This ultimately affects the companies' intrinsic value, and the price investors are willing to pay. Companies that prioritise values like, honesty, trust, integrity manufacture their products responsibly, treat their supply chains respectfully, use energy efficiently, and invest in their employees and their communities in which they operate are more likely to outperform their competitors and return more value to shareholders.

### **How can the wealth management industry drive change through its capital allocations?**

How wealth is managed has a powerful influence and it needs a long-term focus. Thinking of a business as a social institution generates a long-term perspective that can justify any short-term financial sacrifices required to achieve the corporate purpose and to endure over time. It is essential that professional investors remain committed to investing responsibly, not only because this approach allows one to deliver long-term sustainable returns for clients, but because fundamentally it is the right thing to do. Wealth Managers must want to help shape the future in a way that aligns with the causes and issues that are important to us all. There is little point in preserving and growing wealth for future generations if we invest capital in a way that is detrimental to the society, we live in. By investing in sustainable businesses with responsible business practices one can contribute to a more sustainable and resilient world.

When leaders come to see themselves as having societal purpose, they can choose to get involved at local, national, and even global levels.

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