

Opinion **Management**

## Why the future of ESG is at a crossroads

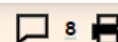
A choice between utopian and dystopian paths is likely to shape business for a decade

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The movement to encourage more companies to make a long-term commitment to environmental and social goals stands at a crossroads. The direction taken could determine how companies and wider society evolve over the next 10 years.

As I laid out for a recent panel organised by the charity A Blueprint for Better Business, in one direction lies a path to an increasingly dystopian decade, as the idea persists that purpose is somehow a “soft” alternative to profitmaking.

In this vision, “woke-washing” by companies superficially committed to purpose-driven strategies launders the colour out of the idea. Environmental, social and governance (ESG) investment strategies become so blurred as to lose meaning. Big consultancies chase the purpose-branding opportunity and crush smaller non-profits, whose voices drown each other out or simply go unheard.

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**In the utopian outcome, positive change encourages fence-sitters to follow suit**

As the good is sacrificed to the expedient, cynicism overwhelms the impulse to make change. Pandemic, global warming and war come to be seen as intractable problems, against which corporate purpose and company values are

ineffective, or an outright distraction. Business leaders, under economic pressure, grab again at the pursuit of short-term profit, using staff as disposable mercenaries or pawns.

Then there is a utopian outcome, which becomes more likely as evidence of positive change at companies that have fully committed to a purpose-led approach encourages fence-sitters to follow suit. In this future, leaders recognise purpose as a virtue, not virtue-signalling. They see it as a prerequisite for attracting young talent. Companies reassert their original human centre, from the Latin “*cum panis*”, as places where companions break bread. Society

and business prosper. The efficacy of purpose-led strategies is recognised in academic research and financial results, leading to *eudaemonia* — the Aristotelian ideal, beloved of [management thinker Charles Handy](#) among others, of human flourishing — and greater sustainability in its widest sense.

You may believe that we are further down one road or the other. If you are sceptical about corporate purpose, you may even think I have the utopian and dystopian labels the wrong way round. Either way, neither path will be straight. Companies, like societies, do not move in a predictable, linear way. They sometimes stumble, or reverse course.

Isaac Getz of ESCP Business School understands this. The French academic's latest book, *L'Entreprise Altruiste*, goes beyond purpose-led, conscious or inclusive capitalism, where companies balance purpose and profit. He and co-author Laurent Marbacher sought out “altruistic enterprises” that take “unconditional care” of staff, suppliers, customers and communities, and assume that financial success will follow.

Such companies were well placed when coronavirus hit in 2020, Getz and Marbacher wrote in an article for [Strategy+Business](#) journal: Sterimed, a French maker of sterile packaging, imported masks from China, selling them on at cost plus transport fees; MAIF, an insurance mutual refunded to customers the surplus accumulated during the first lockdown because of a drop in car accident claims.

Some “traditional” companies also [found ways to help](#) suppliers and customers. For Getz, though, the decisions by Sterimed, MAIF and others were not one-off acts of altruism but products of unconditionally caring cultures.

He is clear-eyed, though, about the likelihood of such radicalism quickly becoming mainstream. An earlier movement for “liberated companies”, which empower front-line staff to take decisions, took off in France 11 years ago, after Getz and others rallied like-minded leaders to spread the word. Companies such as [tyremaker Michelin](#) have tried rolling the management style out worldwide.

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**Businesses designed to create value for society are also good businesses that manage to sustain themselves during crises**

Sarah Gillard, CEO, A Blueprint for Better Business

Whether management change sticks, though, depends on whether the company has the right kind of leadership. And individual leaders change. When new chief executives are appointed, they often take the opportunity to roll back the radical changes their predecessors championed.

In a forthcoming study, Getz looked at 60 “liberated companies”, seven of which reverted to a more traditional hierarchy. Some saw performance suffer, although data are scarce. In other cases, “liberated” staff persuaded initially sceptical new bosses to continue the programme.

Sarah Gillard, chief executive of A Blueprint for Better Business, says that for purpose to become embedded, the assumption that people are only motivated by money, status and power must change. Leaders must recognise that “businesses designed to create value for society are also good businesses that manage to sustain themselves during crises”. In other words, it may be necessary for leaders to reframe purpose as an indispensable way of improving resilience, as altruistic enterprises did during the pandemic.

Utopia, though, is still a way off. Drawing a historical parallel, Getz says that in terms of adopting more radical management models, businesses are only at “the beginning of the 19th century. Democracies are very fragile and the pressure is to get back not to a constitutional monarchy [but] to monarchy, period.”

*Andrew Hill is the FT's senior business writer*