

The Altruistic Corporation:

Reinventing companies by serving the common good and thriving as a result

Isaac Getz¹ and Laurent Marbacher²

Working paper ESCP Business School

July 2020

1. ESCP Business School

79, avenue de la République, 75011 Paris, FRANCE

+336 82676280

getz@escp.eu

2. Institut de l'Entreprise Altruiste

32, rue Principale, 49140 Marcé, FRANCE

+336 12956672

marbacher@me.com

The Altruistic Corporation:

Reinventing companies by serving the common good and thriving as a result

Isaac Getz and Laurent Marbacher

A growing set of companies—that the authors define as altruistic—have focused exclusively on social value creation and continuously outperform their competition, thus reinventing the capitalistic firm of the 21st century.¹

Adam Smith posited that by pursuing its economic self-interest, business creates social value. The data backs him up: from 1820 to 2001, per capita income rose twentyfold in the industrialized West (only sixfold in the rest of the world).² This has meant that for the first time in human history, a significant portion of humankind could escape from living at mere subsistence level. Unfortunately—and increasingly—these benefits also come with collateral damage to our societies. There have been attempts to mitigate this damage for as long as modern business has existed,³ culminating in today’s approaches ranging from Corporate Social Responsibility (CSR) to the Triple Bottom Line (TBL) and Conscious Capitalism, all trying to generate both economic and social value simultaneously. But as John Elkington, the inventor of TBL, wrote recently: “Whereas CEOs... move heaven and earth to ensure that they hit their profit targets, the same is very rarely true of their people and planet targets. Clearly, the Triple Bottom Line has failed to bury the single bottom line paradigm.”⁴ The latest of these attempts, the Business Roundtable “Statement on the Purpose of a Corporation”⁵ in which 181 of the top CEOs in the US committed to satisfy all their stakeholders, still does not show how this can be achieved simultaneously.

And what if the solution to social value generation by businesses lay in not pursuing profits at all? What if, as a result—and in a complete reversal of the sequence according to Adam Smith—such businesses outperformed their competitors economically? And what if it was a bank—among all the possible businesses—that was actually to put this into practice?

Such an imaginary bank does in fact exist. It is called Handelsbanken and is a leading Swedish bank with a significant presence in Northern Europe and the United Kingdom. To summarize the bank’s philosophy in a single phrase: “It can never take too long in our world to do the right thing [for our customers] and... if we do the right thing, we will be rewarded by [them].” What

Anders Bouvin, Handelsbanken CEO in 2018, was telling us that, unlike in traditional banks, his banking advisors do not have to make shortcuts to reach their targets—often at the expense of the customer. This was the culminating point of our field research on this bank and the final evidence that Handelsbanken is indeed an “altruistic corporation”.

The Altruistic Corporation

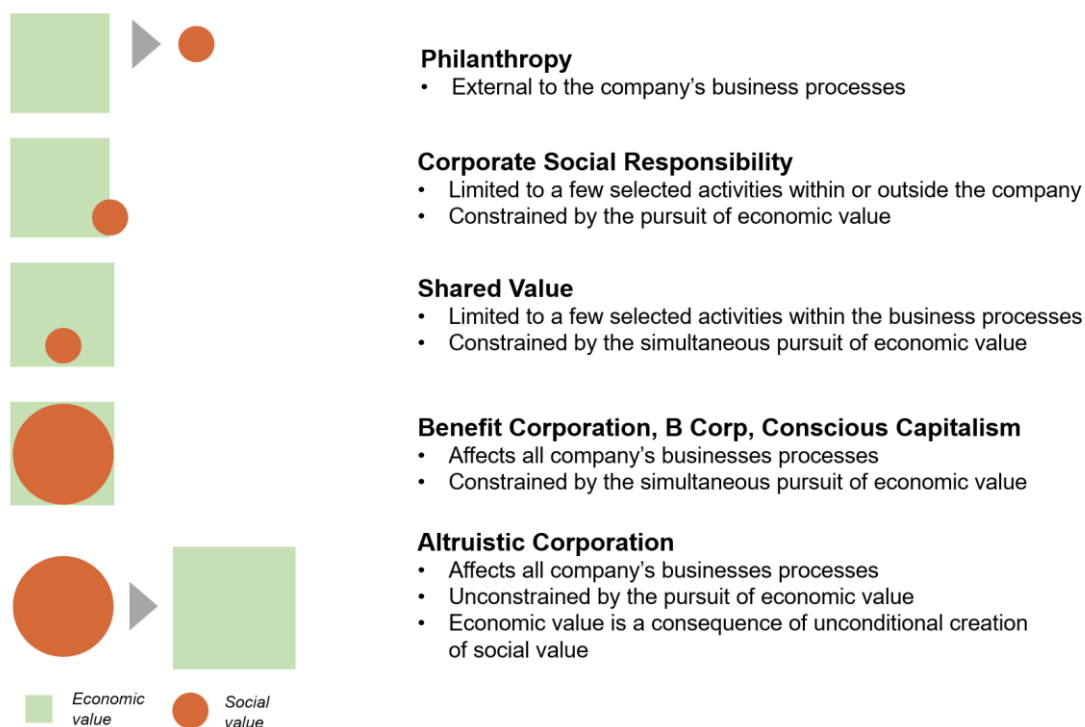
An altruistic corporation is a company which serves its ecosystem—customers, suppliers and local communities—as well as its employees, *unconditionally* through *all its core business processes*.

Over the last five years, we have identified and studied several dozen such companies in the United States, Northern Europe, France, and Japan (see “About the research”). They range in size from large multinationals to SMEs, span industries from banking and pharmaceuticals to food and health, and are both public and private. Our first critical finding is that highly diverse companies can all conceive or transform their core business processes in order to become altruistic. Our second—and amazing—finding is that thanks to this single-minded focus on social value creation, they thrive economically (see “Approaches to Social Value Creation”). Almost all of the older altruistic corporations we have studied—including large Japanese pharmaceutical company Eisai, leading Norwegian retailer Reitan, large French industrial dairy company LSDH, or Handelsbanken—have been at the top of their respective industries for decades.

Though many altruistic corporations are known in their countries, their underlying, traditional-paradigm-defying business philosophies are not, sticking to the “noise doesn't do any good and good doesn't make noise” adage. Some of them, like 170-strong Sonoma-based medicinal tea producer Traditional Medicinals or 2,000-strong Loire Valley-based LSDH, relied on the altruistic corporation philosophy from their beginnings. Most of them, however, like 10,000-strong Eisai, 38,000-strong Reitan, or 13,500-strong Handelsbanken, have been transformed and it hasn't been simple, as the Handelsbanken's case shows.

Approaches to Social Value Creation

The fact that altruistic corporations pursue social value through *all their core business processes* sets them apart from philanthropy conducted outside the core business processes⁶ and from most CSR practices pursuing social value through only a part of their business processes or outside of them altogether.⁷ It also distinguishes the altruistic corporations from Creation of Shared Value (CSV)⁸ pursuing social value only through a part of the core business processes. Next, the fact that altruistic corporations pursue social value *unconditionally* sets them apart from Conscious Capitalism,⁹ the Benefit Corporation¹⁰ and B-Corp¹¹ companies which, while pursuing social value through all their core business processes, do so simultaneously with the pursuit of economic value.



One Bank's Revolution

When Jan Wallander was named CEO in 1969, Handelsbanken was following the mantra of economies of scale that dominated in the banking industry at the time—and perhaps still does today. Wallander decided to change that.

From his previous study of traditional corporations, Wallander (a Doctor of Economics) had deduced that their difficulties and those of his bank stemmed primarily from their unwieldy organizational structure. He compared Handelsbanken to a “heavy goods train thundering through the night” and decided to halt its locomotive, aka head office. For instance, Wallander stopped head-office departments sending regular memos to branches, which had previously been receiving up to 12 a day. He asked the 110 business development working groups to summarize their results on one sheet of paper and then halted them. He closed the Long-Term

Planning and Strategy Department. He stopped the development of a new IS, as well as a new campaign by the Marketing Department, which soon shrunk from forty persons to one. Finally, he eliminated all budgeting and reporting, the first company to do so in business history.

Wallander's purpose was to transfer most decision-making to the branches. Drawing his inspiration from MIT's Douglas McGregor, he viewed front-line staff "as sensible, competent, filled with a natural desire to do a good job, [... and able] to learn about new conditions, new technology and new forms of work."¹² He then worked with everyone to transform the bank's organizational practices and business processes and enable each branch and its line staff to make the best possible customer decisions. Wallander wanted the bank's advisors to resemble a good family doctor doing everything possible for customers' financial health, and they did.

To take the key banking process of granting loans, in 1968, the Executive Board processed 1,553 credit applications and the Board of Directors handled 869 of these as they exceeded €10 million. In 2001, although Handelsbanken had become much larger, the Executive Board processed just 800 (50 in practice, the rest being decided on by a special committee), while the branches processed 390,000 of the 400,000 loan applications, and the regional banks 10,000.

A Different Way of Running a Bank

The digitalization process clearly illustrates just how different Handelsbanken is. In the 1990s, like all its peers, the bank was facing the arrival of internet and pressures to roll it out in a centralized manner—unconditionally serving its customers, instead of pursuing profits. Handelsbanken rejected this approach and instead invited each branch to create its own interface. Of course, central IT provided support and the technology required, but the branches were not told what their website should look like or what it should contain. In today's terms, each branch runs their own site as their own customer conversation blog, favoring authentic relationships over automatic connections. Thanks to this, Handelsbanken advisors in charge of these relations are not living in fear of being replaced by AI bots, as striking Amazon employees are in the UK.

There are many more business processes that Handelsbanken runs in a radically different manner. For example, the bank has no call centers, no cross-selling (e.g. selling a mortgage to a customer applying for a consumer loan), no sales targets, no sales completion schedule, and does not promote in-house products if they are not the best on the market for the customers'

needs. Bank CEO Bouvin has described these profitable practices that are used elsewhere as “things your customers don’t want.”

Today, Handelsbanken processes are not only time-tested, but also crisis-tested. In the 2009 crisis, Handelsbanken was the only Swedish bank that did not turn to taxpayers’ money for a bail-out. On the contrary, Handelsbanken extended its credit to individuals and businesses that were under strain. According to Bouvin, Handelsbanken “should be an asset to society, not a burden.”

And in the COVID-19 crisis, Handelsbanken advisors have been contacting their local customers proactively to offer them guidance and financial support. They have also worked through the evenings and weekends to resolve urgent cases, such as facilitating a massive supplies-purchasing transaction for a UK medical ventilator manufacturer. Thanks to Handelsbanken, the transaction took one instead of the usual 2-3 weeks, thereby accelerating the ventilators’ delivery to UK hospitals at the height of the pandemic.

Transformation Lessons

Handelsbanken’s transformation into an altruistic corporation is unique, as are the transformations of several dozen other companies we studied. Yet, despite all their diversity, we have observed a number of points in common between these transformations. One such key point is that it has always been the CEOs who have initiated the transformation because only they had the authority to do so. However, for most of these CEOs, the corporate transformation was preceded by their own self-transformation, and later involved many managers and employees.

Here are the practical lessons learned from these collaborative transformations that other leaders can take away and implement.

1. As a CEO, make sure you are a leader living just one life and not two—a personal life and a professional life. In other words, behave in the company exactly as you do with your friends, guided by the same willingness to serve all those you interact with unconditionally. Work on yourself, with coaches if necessary.

2. Together with your managers and employees, take the time to co-construct an inspiring vision/philosophy of your company focused on the creation of social value. This value

should reflect the unconditional service of your ecosystem: your customers, suppliers, and/or communities where your company operates.

3. Encourage everyone to stop pursuing the creation of economic value—even if it is concurrent with the creation of social value. For as long as employees are pursuing financial results, serving your ecosystem will always be subordinated to those results and, ultimately, sacrificed; as a consequence, the creation of social value will remain the cost of doing business. Employees never tell their friends: “You are a friend as long as you don’t cost me too much and I get something in return.” They shouldn’t say that to your company’s ecosystem members either.

4. Let your employees and managers transform your company’s organizational practices and—more importantly—its core business processes so that they can serve its ecosystem members unconditionally. In other words, your company’s organizational and operational structures built for the creation of economic value need to be rebuilt for the creation of social value. With time, however—and sometimes more rapidly—higher economic value will be generated without your company directly pursuing it.

Although several of these transformational lessons seem striking, the first lesson is often overlooked. Chris Mittelstaedt’s company’s clients—Adobe, Tesla, eBay, Apple, or Salesforce—make up the who’s who of Silicon Valley, yet its service is very low-tech: The FruitGuys deliver them fruit baskets. One day, Chris found himself in shock. Despite his deep commitment to exceptional customer service, one of his delivery guys had given a customer the finger. The employee justified himself by the way the customer had treated him, but for Chris it triggered a year-long period of introspection and the creation of his company’s philosophy. He named it the 5Rs: be Respectful / Responsive / Realistic / Responsible / Remembered Positively with regards to customers and suppliers. Once Chris shared it, he insisted that every employee was expected to make this philosophy a reality, rather than focusing on profits. Lastly, together with the employees, he co-constructed the organizational and operational practices enabling everyone to implement the 5Rs.

Mittelstaedt’s transformational journey was triggered by one employee’s behavior, but this was not the case for each CEO we studied. For example, after observing health impacts and child labor at the premises of its Guatemalan lemongrass supplier, Drake Sadler, founder and President of Traditional Medicinals—from the onset altruistic to its customers—decided that

the company would also transform the way it worked with all its plant suppliers. He acted to make indigenous producers less fragile by improving their production methods, drilling wells for water and building schools, gradually involving all of his 160 suppliers and their communities across 35 countries. Other CEOs initiated the transformation because they believed their company must respond to its customers' increasing focus on social issues.¹³ For example, after a public scandal related to the side effects of one of their drugs, a leading Japanese pharmaceutical Eisai president Haruo Naito decided that the purpose of the company should be “alleviating the suffering of patients and their families” and not maximizing profits through drug development and sales. Yet other CEOs have engaged in the transformation because their investors encouraged them to pursue social value.¹⁴

Does altruism work?

Handelsbanken has outperformed its Swedish competition on profitability for 48 years in a row, and counting. In the UK, it has been voted the best *private* bank four years in a row, although its 200 branches are in retail banking. Also, its stock price has been multiplied by 1.9 million since 1900—the biggest stock increase in the world over that period.¹⁵

Corporate altruism—focusing unconditionally on social value creation through all of its business processes—has worked well for this bank for decades, but it has also worked for other companies. The FruitGuys have grown from a startup to a 130-strong company with \$35 million in revenue. Traditional Medicinals, another US startup, now has \$50 million revenue. Norwegian retailer Reitan has revenue of \$10 billion and has grown from one to over 2,000 stores in Northern Europe; it is also the only retailer to have driven Lidl, the world's top low-cost chain, from its home market, forcing it to abandon its 50 Norwegian shops to Reitan. LSDH has grown organically to close to €1 billion, becoming the largest private-label milk producer in France. Clinique Pasteur, a French private hospital employing 4,000 people, has grown organically to over \$100 million in revenue, making it the largest among its French competition. Chateauform', a European leader in seminar venues, has grown organically over two decades from a start-up to €230 million in sales. Finally, Eisai has grown organically from \$1.6 billion in 2000 to \$6.85 billion.

“All business is social and all social is business”

This is the credo proclaimed by Eisai's CEO Naito. It suggests that these altruistic corporations have discovered a magical formula to fulfill Peter Drucker's ultimate businessman's dream of

“becoming a millionaire and still going to paradise.” They have not. Instead, they point to one way of easing the timeless tension between business and society. This tension is still with us because as long as shareholder value is pursued directly, authentically serving customers, suppliers, communities, and employees will continue to constitute the costs of doing business, and not the primary driver of performance or the purpose of the company.

Adam Smith said that by pursuing its economic self-interest, business creates social value. Altruistic corporations show that it works the other way round: by pursuing social value, business can thrive economically. In that respect, they offer a tried and tested way to truly reinvent the capitalistic firm of the 21st century.

ABOUT THE RESEARCH

The authors conducted their research over five years, with several dozen companies on three continents. We began by searching for companies renowned for providing unconditional service to their customers, suppliers, and/or local community. Archival research, as well as professional and business networks, were used for this search.

We then spent 1-3 days in each of these companies interviewing the CEO who was instrumental to their transformation, employees, managers, and where possible, customers and suppliers. In cases where the transformational leaders had passed away (Jan Wallander and Jacques Horovitz), we studied archival materials and interviewed several executives who had worked closely with them to learn about these leaders’ attitudes and behaviors.

All interviews were recorded and later transcribed for analysis. We also collected corporate documents that were relevant to our topic. Where further clarification was needed, we exchanged via telephone and email with the interviewees. Finally, during the COVID-19 crisis, we followed up with a subset of our companies and their CEOs to learn how they were coping with it. The specific findings in this paper were derived by using the observation- and document-based inductive reasoning typical to field study methodology.

ABOUT THE AUTHORS

Isaac Getz ([linkedin.com/in/isaacgetz](https://www.linkedin.com/in/isaacgetz)) is professor of leadership and innovation at ESCP Business School (Paris), where he studies business transformations aimed at employee wellbeing and the common good. Laurent Marbacher ([linkedin.com/in/laurentmarbacher](https://www.linkedin.com/in/laurentmarbacher)) is a senior advisor to CEOs and boards, with deep experience in transformation processes and team learning. Together, they co-founded the Altruistic Corporation Institute and co-authored “The Altruistic Corporation” (forthcoming).

¹ All the quotations in the article come from the personal interviews unless specified otherwise. We thank Hervé Laroche for his insightful comments on this draft.

² A. Maddison, *Dynamic Forces in Capitalist Development* (Oxford: Oxford University Press, 1991); “Contours of the World Economy and the Art of Macro-measurement 1500– 2001” (Ruggles Lecture, IARIW 28th General Conference, Cork, Ireland, August 2004).

³ J. O’Toole, *The Enlightened Capitalists: Cautionary Tales of Business Pioneers Who Tried to Do Well by Doing Good* (NY: HarperCollins, 2019).

⁴ “25 Years Ago I Coined the Phrase ‘Triple Bottom Line.’ Here’s Why It’s Time to Rethink It,” *Harvard Business Review* online (June 25, 2018), <https://hbr.org/2018/06/25-years-ago-i-coined-the-phrase-triple-bottom-line-heres-why-im-giving-up-on-it>.

⁵ “[Business Roundtable Redefines the Purpose of a Corporation to Promote ‘An Economy That Serves All Americans’](#),” *Business Roundtable* (August 2019).

⁶ Cf. R. Tata, S.L. Hart, A. Sharma and C. Sarkar, “[Why Making Money Is Not Enough](#),” *MIT Sloan Management Review* 54, no. 4 (summer 2013): 95-96.

⁷ J. C. Marques and H. Mintzberg, “[Why Corporate Social Responsibility Isn’t a Piece of Cake](#),” *MIT Sloan Management Review* 56, no. 4 (summer 2015): 8-11.

⁸ M. E. Porter and M. R. Kramer, “[Creating Shared Value: How to Reinvent Capitalism – and Unleash a Wave of Innovation and Growth](#),” *Harvard Business Review* 89, no. 1-2 (January-February 2011): 62-77.

⁹ J. Mackey, “What Conscious Capitalism Really,” *California Management Review*, 53, no. 3 (spring 2011): 83-90; J. Mackey and R. Sisodia, *Conscious Capitalism: Liberating the Heroic Spirit of Business* (Boston: Harvard Business Review Press, 2013).

¹⁰ <https://benefitcorp.net/>

¹¹ <https://bcorporation.net/about-b-lab>

¹² J. Wallander, *Decentralisation — Why and How to Make it Work* (Stockholm: SNS Förlag, 2003), 37.

¹³ [Cone Communications CRS Study](#) (2017): 12.

¹⁴ Cf. [Larry Fink’s 2018 letter to CEOs: A Sense of Purpose](#), BlackRock; [CEO Investor Forum: Investor Letter to Presenting Companies](#), CECP.

¹⁵ J. Nylander, “[World’s Best Stock Share is Swedish](#),” *Swedish Wire* (Sept. 7, 2009).