

**Course Name: Business Fundamentals for Entrepreneurs – Part 1 – Internal Operations**

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**Week – 04**

**Lecture – 09**

Week 4 Module 9 Part 2

So, what's the stakeholder interest in ESG? Is it just that academicians and professors like me are talking about ESG or is the broader interest and push towards ESG? So the World Economic Forum which engages with country leaders and private sector leaders and public sector leaders, when they have talked to people and done surveys, what they have clearly heard from the stakeholders are what you can read on the screen. I encourage you to read what's on the screen and what the stakeholders are saying. So principles of governance, if you read what's on the screen you'll see the definition of governance is evolving as organisations are increasingly expected to define and embed their purpose at the centre of their business. This is exactly what I said in my very first week's lectures. And if you read on, but the principles of agency, accountability and stewardship continue to be vital for truly good governance principles. Basically you have to be responsible, the company and the company management and the company board have to be responsible for good governance.

And look at the findings on the planet and if you read on the screen an ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change so that it can support the needs of the present and future definition. Because we have to keep the planet safe and healthy for our future generations. I have an obligation to protect the planet for the next generation which all of you are watching this video and you will have an obligation to protect the planet for people who come after 100 years or 200 years. And if you look at people, an ambition to end poverty and hunger in all their forms, and dimensions and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.

So, businesses have to contribute to that. And prosperity, an ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature. What it basically means is that all people are born equal and they should have similar quality of lives. There can be differences, not a situation where some people have everything and some people or many people have nothing. It has to be shared prosperity.

So, these are some of the verbatim and summaries that came out and was published by the World Economic Forum. So then, the World Economic Forum survey also went on to ask the companies and the CEOs and the management to what extent the stakeholders are pressurising the management on ESG. And you can read it for yourself. 77% of the companies came back and said there's pressure from the government and regulatory bodies to comply with ESG and support United Nations SDGs and to work off the triple bottom line, not just the profit bottom line. 75% of the companies says board members and management are pushing for ESG.

The top bosses are pushing for ESG. 75% said customers and clients are pushing for ESG. Because customers want to buy and do business with companies which are responsible, not irresponsible, not polluting companies, not exploiting companies. 72% of companies said civic society, which means media, activists, social organisations are pushing for ESG. 71% said shareholders and investors are pushing.

66% said even competitors and peers are pushing. 65% says employees are pushing. Employees sometimes come under pressure because they can't always speak out against the company that they work for. But even then 65% of companies are feeling pressure internally to comply and work in the best interest of ESG, UN, SDGs and the triple bottom line. And 55% are saying banks from where they're taking loans and lenders are pushing for ESG.

So clearly there's a push. So it's not just an academician or a professor like me talking about it. The wide body of people are aware and pushing for ESG, SDGs, triple bottom lines. But the next question is does it make sense for the company itself, the business itself, to work on the ESG framework? And yes it does. Why? And I look at some data afterwards.

Think about it. Corporate branding, which means how is the company known to the outside world, the perception of the outside world about a company. Is the company seen as a responsible company or is the company seen as a polluting company, exploiting company? So a company which follows and fulfills and meets the ESG criteria gets the benefit of being known as a good company. And top-line growth. A lot of government contracts around the world, a lot of customers are saying I will do business with this company, I'll give a contract to this company, I will buy the products of this company if this company is friendly to the environment and to the people and the society.

And it's well governed. Nobody wants to do a business with a badly governed company, cheating, fraud, scamming company. So clearly there is a top line growth potential which means increased sales and revenues. Customer loyalty. There are many businesses which command huge customer loyalty simply because they are seen as responsible and good companies.

Let's look at cost reduction. When you build an ESG business plan, which means that the factory that you make or, the machinery that you buy or the processes that you follow are ESG compliant, automatically there is a realization that also they become more efficient and

they become more sustainable. And therefore over time the cost may go down. Regulatory and legal risk. I think that's quite obvious because if a company is caught cheating or polluting, the government agencies can stop the operations of the companies.

Productivity increase. For example, if the employees are motivated because they believe they are working for a good company. If you work for a good company you will feel motivated, more energized, more proud and then you will work harder and the productivity goes up. Asset optimization. Which means that plants and machines that you use are optimized because they are running more sustained.

It's probably using less fuel. It's probably using renewable energy which is solar panels or wind power and therefore it's a better plant and a better machinery. And if your assets optimize, your investment is optimized. And if your top line has got that extra boost because of ESG and your cost comes down a bit and your assets and your investments are optimized, investor interest goes up. There are more investors and shareholders who want to invest in the company and buy shares of the company.

So, this is what I am saying in this course. Is there data? Let's look at two points of data. Are ESG investments going up? So versus companies who are ESG friendly focused on environment, social and governance and companies which are not doing as well where are the investments flowing? And this is a simple chart from Bloomberg and you can go and visit the site yourself which shows essentially that the amount of investment going into ESG businesses in different ways are going up and you can see the numbers. The numbers in billions of dollars and different kinds of investment are flowing into ESG.

Friendly businesses. So investment into ESG is going up from the investor perspective. What are the returns? Are ESG friendly compliant businesses or better performing businesses on ESG parameters having better performance? And here is some data from a McKinsey study. The link is given and you can look it up yourself when you go to the website or do a search on the internet and it says that ESG friendly companies or ESG compliant companies, the companies are doing better on ESG parameters. The positive findings are 63 percent; you can see it yourself. And the negative findings are 8 percent.

Essentially what it means is ESG proposition leads to better returns on the investment and the source is quoted below. You can look it up for yourself. As I come to the end of this module and actually the end of the course, I would now like you to reflect on two or three things. One is that first today, you may be a student or, a young employee in a company, or an aspiring entrepreneur, but trust me, in 10 years, 15 years, 20 years down the line, you will probably be a senior manager running your own business, you may be a professor, but for sure you will be in a senior position. And as you head a business or run your own business, my request to you is, please do not look at only the profitability of the business or the operational aspects of a business, the new products, the manufacturing or the quality or the finance or the accounting or the finance.

But when you reach the top position, look at the broader aspects of United Nations SDGs. How can you as a business leader contribute to lowering poverty, lowering hunger, increasing education, increasing health, reducing discrimination, reducing pollution, improving quality of life? How can you do that as a leader ten years, 15 years, 20 years down the line? And I would like you to start thinking from now by doing the following exercise. If you are a student, think of a company that you want to join. If you are already an employee, think about the company you are working for. And if you are an aspiring entrepreneur, look around for businesses where you want to start your own business and do a search on the Internet and see if your dream company or your current company publishes its SDG program or ESG program.

Normally all good companies will have a page which talks about their SDG or ESG program. Look it up. And when you look it up, look at what impact that company, your company, is having today on society, on the environment. And how is the reputation of the company? And does the company have any legal issues? I encourage you to write it down in your journal and then start creating a dream that starting today, five years, ten years, 15 years, 20 years, 30 years, as you end your career, make an impact on the planet, a positive impact. Make a positive impact on society and also build a highly profitable business.

So please reflect.

Thank you. . . . .