



HomeGround

Stakeholder capitalism is having its day in the sun

Covid-19 is spurring a rethink of values and pushing businesses to go beyond profits to consider their impact on people and the planet. While decades old, stakeholder capitalism might see a new dawn.



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Growing up, Robin Pho would sometimes rough it out on field trips with his father, an entrepreneur who ran a gamut of businesses from timber to fishing, including building up Ponco, a specialist manpower agency for the oil and gas sector.

Family photos from the 1990s show a young Robin and his brother Roger, in shorts and slippers sans safety gear, with their father and uncle on the helideck of oil rigs. A childhood that includes visits to his father's home town Sorong in West Papua, Indonesia, honed a comfort in and love for nature. As a child, he wanted to save dolphins. At boarding school in Sydney, he started a project to plant 20,000 trees.

After graduating in the pioneer cohort of Singapore Management University in 2000, he went into banking, first with ABN Amro in retail, then private banking, and then at UBS as regional product manager. When his father fell critically ill in 2008, he joined the family business.

In 2016, he did a global executive master's in business administration at Insead. "I was pondering what to do with my life. Insead believes in business as a force for good. I was challenged to think: Do I want to spend the rest of my life working in the original family business?"

After some soul-searching, he branched out to start a new arm of the family business after graduating from Insead in December 2017. He was motivated, he says, by a triple bottom line, which is also the slogan for his company: People. Planet. Profits. The triple bottom-line term was coined by British management guru John Elkington in 1994, to urge companies to look beyond profit at impact on people's lives and the planet's sustainability.

Many people start a business when they spot a profit-making opportunity. Mr Pho, now 42, did it the reverse way: He wanted a business that helped people and planet while making a profit, and looked for something that fit those goals.

He eventually found it in RPPE, which is short for Right People

Renewable Energy. His experience in the family business of oil and gas helped him see the potential in renewable energy in Indonesia.

RPPE, which began business in late 2017, helps commercial and industrial businesses switch from expensive and pollutive fossil fuel to solar energy, which is clean and renewable. It does so by providing and installing solar photovoltaic (PV) systems with batteries – essentially using solar panels that capture the sun's energy and storing it in large batteries for use throughout the day and night.

BEYOND PROFIT: THE GLOBAL MOVEMENT

Worldwide, many companies are recognising the need to look beyond profit and shareholder's interests, to embrace environmental, social and governance (ESG) goals.

Many countries now require their companies to prepare sustainability reports. Various terms reported of triple bottom line, or ESG or CSR (corporate social responsibility) reporting, such reports go beyond financial performance to show how companies fare in areas such as environmental sustainability, accountability and transparency, as well as inclusion and diversity of recruitment.

In Singapore, it has been mandatory for listed companies to issue a sustainability report since 2018. Professor Wong Poh Kam from the National University of Singapore (NUS) Business School traces the evolution of the sustainability movement to the 1970s: In 1972, the Club of Rome, a group of influential political and business leaders, published a book titled *Limits To Growth* arguing that population growth, combined with an increase in resource use and prosperity, meant the earth will face an ecological crisis within 100 years. Its dire conclusions shocked many.

Then there was the 1987 Brundtland Report, *Our Common Future*, one of the early United Nations reports calling for sustainable development. It was only about 30 years later that all UN members adopted the 17 SDGs (Sustainable Development Goals) in 2015. Then came the UN Better Business Better World report in 2017.

More recently, Professor Klaus Schwab, founder and executive chairman of the World Economic Forum (WEF), and a key proponent of the stakeholder capitalism concept since the 1970s, argues in a new book that



Right People Renewable Energy founder Robin Pho (third from left) and his staff with Gangga Island Resort and Spa owner Iskandar Giusti (in black) in front of the solar energy system at the Indonesian resort. PHOTO: COURTESY OF ROBIN PHO

Covid-19 has highlighted the need for the world to change the way it does its business.

In the book *Stakeholder Capitalism: A Global Economy That Works For Progress, People And Planet*, co-authored with a WEF colleague, Mr Peter Vanham, he writes:

"The idea that we need to rebuild differently post-Covid is widely shared... We can't continue with an economic system driven by selfish values, such as short-term profit maximisation, the avoidance of tax and regulation, or the externalising of environmental harm. Instead, we need a society, economy and international community that is designed to care for all people and the entire planet."

BENEFITS OF ESG GOALS FOR BUSINESSES

But why would businesses that must deliver on short-term profits take on board longer-term social and environmental goals?

Associate Professor Lawrence Loh, director of the Centre for Governance and Sustainability at the NUS Business School, says it is in businesses' self-interests to do so. He has done research that shows sustainability improvements are good for a business, raising both its stock market value and brand equity.

MEASURING ESG IMPACT

As ESG goals become mainstream for businesses, both companies and investors want accountability to quantify the impact of having ESG goals on business.

Prof Wong notes that within specific sectors, there are tools for assessing and measuring individual ESG impact. Well-known ones include the Green Mark certification for buildings and Fair Trade for coffee. There is also FSC for paper – the Forest Stewardship

Council runs a global certification that promotes sustainable forestry – and GOTS (Global Organic Textile Standard) for textiles.

Among broad-based ESG frameworks is the B Impact Assessment (BIA) that helps companies monitor their own progress.

The BIA is developed by a non-profit organisation called B Lab, which champions a more inclusive kind of capitalism that considers all stakeholders. Companies that put purpose into profit, and that show high standards of social and environmental impact, can attain a certain number of points under the BIA framework to become a certified B Corp.

There are now more than 4,000 B Corp-certified companies worldwide, including Ben & Jerry's, Patagonia, Kickstarter and Coursera. The Guardian is the first media organisation to become a B Corp. In Singapore, Mr Pho's RPPE is a B Corp, as are Better Barista, Speco and Make the Change.

Ms Caroline Seow, B Lab South-east Asia community builder, wants to promote certified B Corps in the region. Many businesses do not embed ESG considerations into the core of their business, and ESG programmes, such as philanthropic donations, are often extraneous to their business. "But how you make your money is more important than how you give it away," she points out. Businesses that have social and environmental purposes built into them will do things differently.

There are other benefits to being certified B Corp, she says. As a shorthand for being ethical and socially responsible, it can boost recruitment, attract investors, mitigate risks and build brand equity. "Increasingly, consumers want to buy good products from good companies, not just good

products," she adds.

INVESTORS AND IMPACT INVESTING

Another key motivator for businesses to embrace ESG is that investors are increasingly drawn to companies that prioritise sustainability and social impact.

More institutional and individual investors are looking at impact investing, a term coined by the Rockefeller Foundation in 2008 to refer to investment in enterprises or projects that generates a social and environmental return as well as a financial one.

Prof Wong notes that impact investing funds have gone mainstream in recent years, with global investment banks like Goldman Sachs and BNP Paribas and private funds like BlackRock offering ESG investment funds. Singapore's Temasek also recently invested in impact investing specialist LeapFrog to grow its ESG investment activities.

The Global Impact Investing Network estimates the impact investing market at US\$715 billion (S\$958 billion) in assets under management last year. The International Finance Corporation put the estimate even higher at US\$2.1 trillion.

The momentum of impact investing will spur more large listed companies, especially those in mandatory-ESG reporting countries, to excel in social and environmental performance, and not just financial performance. The movement will then grow to include smaller companies – especially as big ESG-driven companies may prefer to do business with or have supplier networks with similar values.

RPPE is both a driver and beneficiary of such impact investing. The seed funding to start RPPE came from the family's wealth. With a keen eye on social

impact, RPPE hires the disadvantaged: Among its staff of 10 are a hearing-impaired accountant, a senior manager who was once bankrupt and an intern who is an Afghan refugee based in Jakarta. In September 2019, RPPE attained B Corp certification.

When RPPE won a contract worth more than US\$500,000 to install the solar and battery microgrid at an eco dive resort in North Sulawesi, the company had to manually transport 640 solar panels and heavy batteries to the remote island.

There was no crane, forklift or pallet stacker. Just a plain resort jetty. The boat docked, and then the fragile solar panels and other equipment were carefully transported one by one, by hand, to the resort.

Recounts Mr Pho: "The local villagers we hired formed a chain and moved the panels. We had an 800kg inverter which is the heart of the system. We strung together poles like a stretcher and then lots of people carried the poles and we moved it that way. The whole project, with the move and installation, took months. My team was there throughout the build."

"While the village men were working, the women would come out midday with meals for the men. So we helped collect clothing for them and toys for the children from Singapore, and brought them over to be donated during our trips."

"Once you start a project like this, the whole village gets involved and you see the impact of the project on their lives. When the solar system was up, the workers would bring their makeshift used car batteries to charge using the solar system. They would bring the car batteries home to use to charge their own devices like mobile phones, to make up for the village's erratic power supply."

The resort was spending \$10,000 a month on power. The solar and battery system would save them money in the long run – but coming up with the capital was a challenge.

Says Mr Pho: "We helped them with the financing and offered to let them pay off the sum in instalments over five years. With RPPE's capital locked up in the project, we then issued a mini green bond to impact investors to monetise our future cash flows from the resort. When you do a project like this, it is not just about the profit. It is about the difference you make in people's lives, and of course in sustainability."

Today, Gangga Island Resort and Spa has the biggest solar PV and battery system for a dive resort in Indonesia. Adds Mr Pho: "For the first time in years, turtles have started laying eggs on the resort beach, and even dugongs have started appearing!"

On what motivates him, Mr Pho, who is married to a paediatric emergency physician and has twin boys aged four, says his late father, who died in 2014, remains his moral compass. "As a second-generation family business owner, focused on using our business as a force for good, we really believe in profit with purpose."

"Our commitment to a triple bottom line of people, planet and profits is for my children, and their children, so that we can build a sustainable future and define success across generations."

At its heart, stakeholder capitalism is about more than business. It is a way of changing society to make it more humane and ethical, one business at a time.

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