

COMMENTS BY STAVROS GADINIS

CORPORATE ACTIONS AS MORAL ISSUES

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GENERAL CLAIMS

- ▶ Moral considerations arise on all corporate actions, not just the ESG ones
- ▶ Participants are willing to trade off monetary gain for moral concerns
 - Especially shareholders (!)
- ▶ Moral considerations arise on all corporate actions, not just the ESG ones
- ▶ It's not just the millennials - it's mostly older women
- ▶ Findings upend key tenets of corporate theory

EVERYTHING IS POLITICS / MORAL

- ▶ Morality of corporate choices is a topic we have not studied or understood well
- ▶ Moral condemnations of corporate choices are ubiquitous
 - ▶ From politicians, activists, the press
- ▶ Moral considerations are embedded in many business decisions - expanding the scope of the inquiry
 - ▶ Issues like CEO pay or layoffs should feature in our considerations



WHY THE GENERAL POPULATION?

- ▶ More justification necessary
 - ▶ Do investors care about reputation? (Financial)
 - ▶ Do investors get influenced by population (Moral)
- ▶ Does the general population really understand prompts related to dividends, board independence, leverage, and incentive pay?
- ▶ Do we expect the general population to be more hostile to corporate choices compared to shareholders?



PROMPTS AND POSSIBLE BIAS

- ▶ Asking whether an action is moral would predispose the answer to be yes - especially if your understanding of moral is “do the right thing”
- ▶ If I were a reviewer I would like to see the full text of the prompt and the hypothetical involving XYZ corporation
 - ▶ Perhaps report the absolute figures, in addition to the relative ones?
 - ▶ Also give us better sense of magnitude
- ▶ The environment prompt is really narrow: renewable energy v. Climate change

BREAKDOWN OF ISSUES TRACKS TRADITIONAL DIVIDES

- ▶ The top moral and morally wrong issues - CEO Pay, Layoffs, Wage Reduction, Outsourcing - have one common denominator: **jobs**
 - ▶ We should expect this when we survey the population
 - ▶ But I would highlight that people see economic hurt to them as the key moral concern
- ▶ What is the story behind the male/female divide? It seems so clear and across so many issues that it is perplexing, perhaps expand?

MILLENNIALS ACTUALLY SUPPORT ESG

- ▶ Young people care more about “renewable energy” and “diversity” than the rest of the population
- ▶ Other interesting findings from the groups breakdown that I would highlight:
 - ▶ The only corporate actions that Republicans find more morally wrong compared to Democrats is “outsourcing”
 - ▶ Ethnic groups are less concerned about morality than white people - which might be evidence of class, given that it’s uniform across ethnic groups

EXPERIMENTAL SETTING CONCERNS

- ▶ Random assignment to shareholder/employee/customer
 - ▶ Can participants really take on these roles without skin in the game?
 - ▶ The result is surprising - do they think that shareholders should bear the costs, compared to customers?
- ▶ The emphasis on \$100 increments needs justification, particularly as the costs of all these issues varies significantly

IMPLICATIONS AND SUGGESTIONS

- ▶ I would develop the “ESG is in everything” line:
 - ▶ Results teach us that corporations might benefit from utilizing moral arguments to defend their practices?
 - ▶ Explore moral and financial justifications in key corporate actions?
- ▶ Test scenarios where moral and financial implications go in opposite directions?