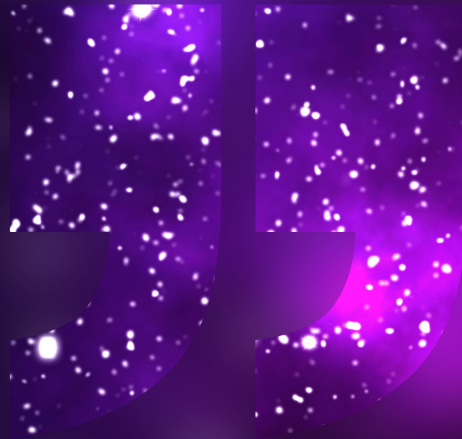


**C L I F F O R D**  
**C H A N C E**



**VIEW FROM DAVOS  
PURPOSE AND  
VALUES – TOP OF THE  
BUSINESS AGENDA**



**– THOUGHT LEADERSHIP**

FEBRUARY 2020



## VIEW FROM DAVOS PURPOSE AND VALUES – TOP OF THE BUSINESS AGENDA

What is the purpose of a business? Is it wholly about profit and delivering for shareholders; or is about values, and serving not just shareholders, but employees, customers, communities and society at large? That was the question addressed by a panel hosted by Clifford Chance at the World Economic Forum in Davos, as they explored how businesses can bridge the gap between the two.

Stakeholder capitalism – the idea that a company meets the needs of all its stakeholders, and is not driven by profit alone, is top of the agenda for a growing number of organisations and was the central theme at Davos. However, as Matthew Layton, Clifford Chance's Managing Partner, says: "I think there is a big question about how we ensure all parts of society have a shared perception of what that means in practice, particularly in light of research from the Edelman 2020 Trust Barometer which shows that government, businesses, NGOs and the media are not trusted by the public, and that there is growing scepticism and insecurity in so many parts of the world."

Daniel Sachs, CEO and founder of Proventus Capital Management, and a board member of the Open Society Foundations – the world's largest private funder of independent groups working for justice, democratic governance, and human rights, says: "it's much easier to unite shareholders around financial value and to agree on short-term profit maximisation than it is to agree on a purpose for a business." He adds that businesses have to demonstrate their authenticity, and shouldn't rush into articulating their purpose without serious consideration. "There is a lot of window dressing – everyone wants to be purpose-driven, but only businesses that are driven by authentic purpose, and demonstrate that purpose is present in everything they do, will be profitable in the long-term. The ones who put lipstick on a pig will be punished."

Tiernan Brady, Global Director of Inclusion at Clifford Chance, who previously led successful campaigns for marriage

equality in Ireland and Australia says: "Companies talk about values and purpose, but it has to be more than a poster or a buzz-word on a fridge magnet – if you have them, you have to champion and campaign for them, or they are just words. When I was campaigning in Australia, around 1,300 companies signed up to have their brand associated with the campaign, but only six of those donated any money to the campaign." He adds that Clifford Chance takes on pro bono cases that underpin the firm's values, for example successfully bringing a motion to a Polish court which ordered a newspaper *Gazeta Polska*, to stop distributing 'LGBT free zone stickers.' "The firm understands that for us to truly uphold our commitment to inclusion we have to be prepared to use our skills to drive change," he says.

In Singapore, the firm, working with in partnership with Cavenagh Law, is working to change the laws that deny LGBT people equality. Clifford Chance successfully persuaded the High Court to allow a gay man to adopt his son who was conceived through surrogacy in the U.S. Following on from that success, the firm initiated a case seeking to challenge the laws criminalising homosexuality.

However, defining purpose can be difficult, as David Rodin, a moral philosopher who spent 20 years at Oxford University running a research group on military ethics, and is now managing director of Principia, an ethics consultancy, says: "Words like 'purpose' and 'values' are so broad. We need to be more precise. Just as profit is the difference between revenue and costs, your values can be seen as the difference between the good you provide and the cost you put on others. Businesses should start by defining what

are their red lines in terms of values. For example, in the military, in life and death situations, red lines are absolutely clear and are not questioned – can businesses follow that approach?”

He says none of this is easy: “There are really difficult trade-offs to be navigated, both long-term and short-term, but also around how profit sits within a broad set of objectives. There are really hard choices to be made.”

Alphonso David, an American LGBTQ civil rights lawyer and president of The Human Rights Campaign, an organisation which has three million members in the U.S., says that whilst some ethical issues are complex, others are more straightforward. “I think we overlook some of the simple challenges that we face. The fact is, there are corporations and businesses that are operating in countries where people get killed just for being who they are.” He says that corporates need to use their power to change the lives of the people in the countries in which they operate. “There’s a role for businesses to participate in that discussion, engaging with governments about how you leverage your corporate power. There’s a conversation to be had about some guiding principles that businesses could identify, that will help drive their values.”

The US multinational, GE which has 283,000 staff and operates in 180 countries, regularly faces these sorts of issues, as William “Mo” Cowan, President, Global Government Affairs and Policy for GE, explains: “If you are a corporation like GE, there is a constant conversation about the challenge and how you balance profit-driven motives – we are a profit-driven enterprise and shareholder value is what we push for – with this responsibility to the broader stakeholder universe.”

How you drive that conversation is crucial, says Daniel Sachs. “The process of discussing it and drawing out conflicts in the boardroom and amongst the leadership is healthy,” he says. “Leaders should be upfront about the challenges of

shareholder and stakeholder principles.” He adds that organisations have to build the right set of skills to deal with these issues. “What they need to aim for as an organisation, both at leadership level and in terms of systems and their people, is the capacity to be aware of ethics issues and be able to work through decisions in complex grey areas and really execute them on a day-to-day basis.”

At GE, employees are driving the conversation internally, says Mo Cowan: “Employees challenge leadership to engage, they also engage with activist groups and publicly support causes to improve the lives of those in the countries in which they operate.” Sharis Pozen, a Partner at Clifford Chance who moderated the panel, reminded Mo Cowan of times when GE leaders did speak out on social responsibility, and not all the feedback was positive. Pozen says: “Many who commented said that it was not the job of GE executives to make such comments.”

These sorts of conversations can be difficult, but there are effective ways for CEOs to engage in political issues, says Alphonso David. “How you define the question will yield different answers – so you could ask ‘should gay people be allowed to marry?’ or ‘do you believe that gay people have the same rights to family life as straight people?’ It’s about asking the right questions.” Pozen asks whether these discussions get “lost in translation” amongst stakeholders and Clifford Chance’s Tiernan Brady explains that, with the issue of marriage equality, campaigning took different routes in different countries in order to ask the “right” question. In Ireland it was about family values, in Australia it was about fairness, and in the US the debate is about freedom and love.

Daniel Sachs says that now is the time for companies to step into political issues, whether that is human rights or sustainability. “The role of business today needs to shift, and be braver. This approach may put off some customers and investors in the short-term, but it has to be the right thing to do for the long-term.”



## DAVOS GUEST SPEAKERS



### **William "Mo" Cowan**

U.S. Senator William "Mo" Cowan (retired) is President, Global Government Affairs and Policy and Developed Markets for General Electric Co. (GE), responsible for directing the company's government relations and public policy engagement in the United States and around the world.



### **Alphonso B. David**

Alphonso B. David, a nationally recognised U.S. LGBTQ civil rights lawyer and advocate, is the president of the Human Rights Campaign. Mr. David is the first civil rights lawyer and the first person of colour to serve as president of HRC in the organisation's nearly 40- year history.



### **David Rodin**

David Rodin is Managing Director and Founder, Principia Advisory and a Senior Fellow at the University of Oxford. He is one of the world's foremost authorities on organisational ethics. His work in moral philosophy has helped reshape the fields of business ethics, and the ethics of security and armed conflict.



### **Daniel Sachs**

Daniel Sachs is CEO and member of the board of Proventus AB, a family owned investment company. He is also the founder and CEO of Proventus Capital Management, the leading non-bank corporate lender in Northern Europe having its main focus on private and family owned businesses. Sachs has held a number of managerial roles and board positions in public as well as private companies throughout Europe. Sachs is a Global Board member of the Open Society Foundation (OSF) as well as Chairman of the OSF Investment Committee.

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