

Private Business

Taking the long view helps build a 'better company'

Corporate responsibility

Private owners are better able to resist short-term concerns, says *Sarah Murray*

On the ability of public companies' to embrace corporate responsibility, John Neill, chief executive of Unipart, believes there is one big limitation – their shareholders.

"People are trying to demonstrate a correlation between good corporate behaviour and long-term shareholder performance, he notes. "But, by and large, what drives Wall Street and the City [of London] is short-term share performance."

Mr Neill believes private ownership allows the employee-owned manufacturing, logistics and consulting group to take a longer-term view of the links between profit, society and the environment – unlike public companies whose investors may not necessarily hold shares for extended periods.

He cites the example of quant, or algorithmic, funds, which can buy and sell shares in companies sometimes in a fraction of a second. "How do you build a relationship with a computer programme that buys and sells you in a nanosecond?" he asks.

It is a view shared by senior executives at other privately owned companies. Paul Drechsler, chief executive of Wates Group, the

family-owned construction company, says: "We are explicit about our intent to hold the shares for the long term and about a desire to hand over a better company to the next generation."

Free from pressure to maximise quarterly returns, private companies can pursue strategies that benefit society more broadly, argues Colin Mayer, professor of management studies at Oxford university's Saïd Business School.

"For a company to credibly commit to sustainability or corporate responsibility policies, it needs to have a long-term focus to its activities, which means it needs long-term owners that support those type of commitments," says Prof Mayer.

Of course, for any company, the focus for corporate responsibility varies, depending on the nature of the business.

Yet one thing many private companies have in common is that, rather than simply writing charitable cheques, they link social and environmental initiatives closely to their commercial operations.

"Philanthropy is fine and laudable," says Mr Neill. "But if you aren't competitive, you can't take care of your stakeholders."

At Blue Skies, founded by entrepreneur Anthony Pile, helping farmers in developing countries is part of the business model.

By supplying supermarket chains with fresh-cut fruit from countries such as Ghana, Egypt and South Africa, it can create employment for some of the world's poorest people.



John Neill, chief of Unipart

And because the company exports cut and packaged fruit (rather than unprocessed produce), and helps farmers secure environmental certifications, they can earn more than they would if the fruit was being cut and packed in Europe.

B4Box has also made a corporate responsibility commitment part of its business model.

The company, which operates around Manchester and northwest England, offers construction services that rehabilitate empty properties while also providing training that can help increase the supply of skilled construction workers and create jobs.

Training and employment are also corporate responsibility priorities for Wates.

Among its initiatives is the Building Futures programme, which offers accredited vocational training to long-term unemployed adults.

Mr Drechsler sees corporate responsibility as strongly related to commercial success.

"You need to make profit because if you don't, you

can't innovate and reduce your impact on the environment, and you don't have the resources to invest in society," he says.

Nevertheless, some corporate responsibility initiatives at private companies do have a charitable element.

Arup, the engineering consultancy, has established a non-profit business within the enterprise – Arup International Development – that provides strategic and technical advice to development and humanitarian organisations.

In Malawi, for example, to help the government achieve its goal of providing universal primary education, teams from Arup – which is owned by a trust on behalf of employees – are developing a model for low-cost school buildings that use local construction materials and that can be run without electricity.

Arup also derives business benefits in the new skills acquired by staff working on the development projects.

Ian Rogers, a director who oversees the company's approach to sustainability, believes Arup's ownership structure enables it to make these correlations between social and environmental investments and business returns because it is not pushing to make short-term profits.

"It is the longer-term perspective we are able to give to these issues because we are not constantly looking over our shoulder at what the share price is doing," he says.