



*Gyöngyvér Hervainé Szabó*

# Stakeholder Capitalism and the EFQM Model 2020 for Corporate Management

## SUMMARY

Stakeholder capitalism as an alternative to the neoliberal model of shareholder capitalism has become one of the most important issues in American, European and global business forums. It focused on the purpose of an organisation and on political programmes surrounding *Prosperity, People, Planet*, added to governance topics. The main driver behind business communities' political activism is the adaptation to the UN/OECD standards for participation in global and regional investment flows related to sustainable business practices. Appropriate instruments are available for corporations committed to sustainability to adopt the best reporting systems. In contrast to these technical solutions, the national/European excellence awards offer a real and deep involvement, and true development for firms. The EFQM Model 2020 is an outstanding business management model designed for long-term purposes and easily adapted to all kinds of welfare capitalist systems, without political activism.

## Journal of Economic Literature (JEL) codes:

L21, P12, D21, D69, E61, F21, F35

**Keywords:** stakeholder capitalism, corporate governance, sustainability, excellence model

In the 1980's the stakeholder theory was a novel approach that mapped corporate environment in terms of people and other actors and their roles in the firm. Today this approach is more complex: it includes the firm's political, economic and ethical relationships. The stakeholder approach can be descriptive (outlining actual standards of behaviour with stakeholder groups), instrumental (engaging stakeholders in increasing corporate performance), or normative (managing stakeholders).

## CAPITALISM OF AN ECOLOGICAL AND A HUMAN FACE

After the 2008 financial crisis a great number of the previous theories and approaches of economic regeneration came to the

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DR GYÖNGYVÉR HERVAINÉ SZABÓ, political scientist and analyst of international relations and public policy; Kodolányi János University (szgyongy@kodolanyi.hu).





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forefront of business thinking. They were mostly related to fact-based decision making, public policies and global ranking based on different score cards. Countries were surveyed and evaluated according to every aspect of public policies, including, among others, the World Happiness Index, the Global Competitiveness Index and the Global Innovation Index. The Global Sustainability Reporting Initiative was developed for firms. All these are closely related to Stiglitz, Fitoussi and Sen's Report entitled *Beyond GDP*, global movement for well-being, which tackles inequalities.

### *The SEDA score card as a factor of national competitiveness*

After the 2008 global financial crisis, the criticism of the neoliberal model of shareholder capitalism gave impetus to new ideas about an inclusive capitalism (OECD and World Bank) coined "stakeholder capitalism", "sustainable society", "regenerative capitalism", or "capitalism with a human face". In all of them the focus was placed on the role of the firms in societies and the metrics and corporate reporting. During last decade, the World Happiness Reports explained the successes of Nordic societies and benefits of Nordic types of welfare states. The Boston Consulting Group's Sustainable Economic Development Assessment (SEDA) scorecard provides insight into the conversion of wealth into well-being by a country. The SEDA performance dashboard can help governments take a more holistic view of progress through income generation, objective well-being, and subjective well-being lens. Conventional unregulated capitalism began to be challenged and opposed by different political movements, such as the Occupy Wall Street, the

Yellow Vest Movement, the #MeToo Movement, and the Black Lives Matter (BLM) movement.

### *Political debates about the purpose of the organisations*

The economic, social and environmental sustainability of market and non-market stakeholders is emerging as a new standard of business success and managerial responsibility requiring a formal model to capture expectations and the combination of competitive and co-operative is nowadays embedded in responsible leadership. In addition to firms' market strategy, they also need to deal with the political marketplace. Corporate political management is the broad conceptualisation of companies' interaction with their political environment. They are compelled to create a favourable institutional environment to the competitive efforts. Corporate political activity (CPA) is a subset of political strategy, which focuses on managing the firm's dependency on political decisions, and on advocacy in social issues, and plays role in crafting public policy. The tools of corporate political activity include lobbying, advocacy, constituency building, coalition formation, political donations, and other contributions and direct or indirect interactions with public policy officials. As corporate relationships can range from supportive/co-operative through neutral/indifferent to hostile/threatening, stakeholder management may be crucial for firms.

### *Inclusive capitalism as a social vision*

On 20 August, 2019, at a meeting of the US Business Roundtable, CEO's redefined the purpose of corporations that promote an





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“economy that serves all Americans”, and the document made of the meeting was signed by 181 CEO’s. This new statement replaced the 1978 Business Roundtable Principle of Corporate Governance: the primacy of shareholders was pointed out and it was stated that corporations exist principally to serve shareholders. Max Weinberger, CEO of EY explained that challenges were so great and so complex that no single organisation can address them alone. The main principle of inclusive capitalism is to find allies almost everywhere: among employees, shareholders, lenders, communities, suppliers, partners, regulators, and government officials. The best way to engage stakeholders to transform mission into a company-wide purpose is to improve the working world. When businesses purposefully work to engage with a broad set of stakeholders, they make a positive impact on society and also perform better (Weinberger, 2017).

### *World Economic Forum 2019 Report and global trends*

According to the WEF 2019 Global Competitiveness Report 2019, and the Global Competitiveness Index 4.0 data, the main implications for economic policymakers are the following 5 trends: 1 despite a massive injection to ensure liquidity, productivity growth continued to stagnate between 2008–2017; 2 public investments steadily decline globally, 3 there is no balance between the integration of technology, human capital investment and the innovation ecosystem, which is critical to enhancing productivity; 4 the lack of shared prosperity and environmental sustainability corrodes productivity growth (speed of growth for sustainability environmentally), and the quality of growth; 5 a more visionary leader-

ship needs to place all economies on a win-win trajectory (Schwab and Zahidi, 2019).

### *Davos Manifesto 2020*

The Davos Manifesto 2020 renewed the old Davos Manifesto approved 50 years earlier. In the document entitled “The Universal Purpose of a Company in the Fourth Industrial Revolution”, the changes were explained by Klaus Schwab, Founder and Executive Chairman of WEF.

1. The purpose of a company is to engage all its stakeholders in shared and sustained value creation: shared commitment to policy for understanding and harmonising the divergent interests of all stakeholders.

a) It is committed to fair competition, zero tolerance for corruption, it maintains a reliable and trustworthy digital ecosystem, and it clears the functionality of its products and services.

b) A company treats its employees with dignity and respect (diversity, working conditions improvement, well-being, upskilling and reskilling).

c) Suppliers are true partners, a company provides a fair chance to new market entrants, integrates respects for human rights into the supply chain.

d) A company serves society through its activity, supports local communities, and pays its fair share of taxes. It ensures the safe, ethical, and efficient use of data (protects the biosector, it is a circular, shared, regenerative economy champion, and innovates for well-being).

e) In its return on investment policy it considers: the entrepreneurial risks, and the need for innovation and sustained investment tasks. It is responsible for near-term, medium-term, long-term value creation.





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2. A company is more than an economic unit: it fulfils human and social aspirations as part of a broader social system: performance should be measured by the method of achieving its environmental, social, and good governance objectives. (Executive remunerations should reflect stakeholder objectives).

3. Multinational companies should act for our global future in collaborative efforts with other companies and stakeholders to improve the state of the world (Schwab, 2019).

The 21–24 January 2020 WEF Forum of the Annual Meeting of Stakeholders for a Cohesive and Sustainable World, held in Davos, resolved to develop a new corporate measurement and reporting system.

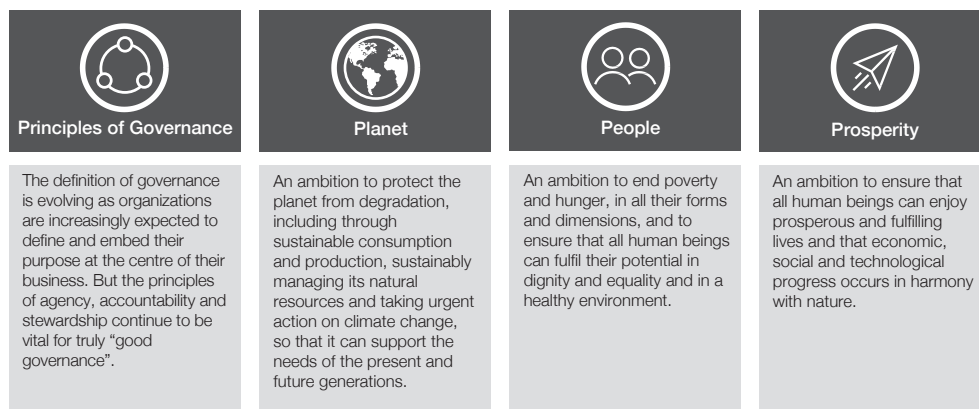
Finally, the Davos 2020 Manifesto based on the principles of stakeholder capitalism initiated a new metrics called ESG (environmental, social and governance) goals, which complements the standard financial metrics established on the basis of the UN SDG 2030 Goals and the Paris Climate Agreement. The White Paper on Measuring Stakeholder Towards Common Metrics and Consistent Reporting of Sustainable

Value Creation was drafted by Deloitte, EY, KPMG and PWC in collaboration.

The stakeholder capitalism metrics (SCM) makes it clear for firms that Planet, People, Prosperity and governance strategies can be developed simultaneously with increased corporate political activities.

The UN SDG Goals are very important for the business sector in the key and smaller donor countries. It is important in the case of the US to maintain its global and local universalist role in global international political environment. The US has been the main donor in international development programmes but in 2016 new actors entered international investment. The SDG Goals provide a comparative advantage to US firms, local governments, solidarity and charity organisations. US cities are in the vanguard of co-operation with business and civil organisations, and US universities are among the most advanced in developing new leaders for SDG leadership capability. The innovations developed by US firms are globally inspirational and related to efficient technology transfer policies.

Figure 1: Davos Manifesto: The four pillars of Business Sustainable Governance



Source: World Economic Forum, [http://www3.weforum.org/docs/WEF\\_IBC\\_ESG\\_Metrics\\_Discussion\\_Paper.pdf](http://www3.weforum.org/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf)





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Table 1: Summary of the Stakeholder Capitalism Metrics (SCM)

Governance	Planet	People	Prosperity
Governing purpose <b>Purpose-led Management</b>	<b>Climate Change</b> GHG emissions, TCFD Implementation Climate Related Disclosures	<b>Dignity and equality</b> Diversity and inclusion percentage of key groups, pay equality, Wage level (standard entry wage, CEO pay ratio, Risks for incidents of child and forced labour or compulsory hours Pay gap, discrimination incidents, freedom of association, collective bargaining, human rights review Wage for living Monetised impacts of injuries	<b>Employment and wealth generation</b> Infrastructure investment and services supported Significant indirect economic impact
Quality of Governing Body <b>Progress against strategic milestones, Remuneration</b>	<b>Nature Loss</b> Land Use and Ecological Sensitivity Report on operations and full supply chain, Impact of land use and conversion		
Stakeholder Engagement <b>Material issues impacting stakeholders</b>	<b>Air Pollution</b> NOx, sox		<b>Innovation: better products and services</b> Social value generated Vitality Index
Ethical Behaviour <b>Alignment of strategy and policies to lobbying, Monetary losses from unethical behaviours</b>	<b>Water Pollution</b> Nutrients, heavy metals, and other toxins	<b>Health and well-being:</b> Health and safety Best practice health and well-being programmes Absence Rate	<b>Community and social vitality</b> Total Social Investment Additional tax remitted (VAT, employee related taxes) Total tax paid country for significant locations
Risk and Opportunity oversight <b>Economics, environmental and social topics in capital allocation</b>	<b>Solid Waste</b> Single used plastic	<b>Skills for the future</b> Training average hours/person Average training and development expenditure, paid education leave, reskilling, nr. of unfilled positions	

Source: By the author

The OECD's document entitled *Development Co-operation Report 2016, The Sustainable Development Goals as Business Opportunities* names five pathways to ensure the quantity and quality of investment: *Investing in people, the planet and prosperity*: FDI,

blended finance, monitoring and measuring private funds, social impact investment, and responsible business conduct. In January 2018, UNDP published an Introductory Guidebook on *Financing the 2030 Agenda*, giving a detailed description of the role





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of the private sector in relation to SDGs, among others through innovative financing. UNDP's SDG Impact Finance Initiative (UNSIF) is a new co-investment platform for co-operation between the public and the private sectors. It suggests that the finance system had changed, and change included transition from grant-only project-based model to a more scalable blended financed market-based development. "UNSIF leverages institutional investors and private wealth in the following ways:

- By facilitating social impact investments to support national development priorities in key areas such poverty reduction, job creation, affordable and clean energy, industry innovation and infrastructure, sustainable cities and communities and climate change;

- Certifying SDG-aligned impact investments to de-risk, quality assure and prepare social impact projects along rigorous social, economic and environmental standards, building on UNDP's work on environmental and social screening standards as well as its gender seal;

- Building on UNDP's South-South Co-operation strategy and corporate partnership initiatives, facilitate project pipeline development, research and advocacy for up-scaling impact investing for the SDGs, resulting in a robust pipeline of SDGs projects which attract investor funding." (UNDP, 2018).

Additionally, the remittances sent home are important sources for the ODA (Official Development Assistance, USD 137 billion in 2014) to attract investment (USD 423.6 billion in 2014).

The OECD adopted *The Policy Framework for Investment*, an unlocking tool for private resources for sustainable development. The Davos manifesto does not reframe the

neoliberal model of capitalism, but tries to adapt it to deal with environmental, biological, social, and economic crises. In Davos Joseph Stiglitz explained the vision of a new kind of capitalism called progressive capitalism, based on a better balance of government, market and civil society. The conservative answer is that stakeholder capitalism is against the US and other national corporate laws. Other political critics of the idea, including Donald Trump, compared the idea of stakeholder capitalism to China's state capitalism regime.

### *Stakeholders and Business Europe*

Business Europe proposed a priority list for the European Union in the new political cycle of 2019–2024: *Prosperity, People, Planet* (84 pages). "European entrepreneurship has a unique feature. It feels responsible for and cares about prosperity, people, and the planet. Companies have a central role to play. Achieving environmental and social goals largely depends on their success: without profitable companies, no inclusive growth, no jobs, and no technological solutions to protect the environment" (Pierre Gattaz) (Business Europe, 2019).

A comparison of the American Business Round Table's *Davos Manifesto* and Business Europe's vision for *Prosperity, People, Planet* reveals differences mostly in ranking. The *Davos Manifesto* developed ideas for a new society, and proposed proactive corporate political actions for developing social objectives.

### STAKEHOLDER CAPITALISM AT A EUROPEAN UNION LEVEL

In July 2020, the EY published a report to the European Commission DG Justice and





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Table 2: Prosperity, People, Planet: Business Europe's Programme

Prosperity	People	Planet
Single market, international trade, industrial strategy, competition policy, digital economy, R+I, Multiannual Financial Framework and EU Budget, EMU, Taxation, Better regulation	Economic convergence and social cohesion, skills, labour mobility, social protection, employment, social inclusion and equality, pensions and demographic ageing, diversity, migration, social dialogue	Energy and climate policies, different energy and climate starting points, innovative technologies to reduce greenhouse gas emissions, affordable low carbon energy, public acceptance of the energy transition, convergence of global climate ambitions, zero-and low-emission mobility, green finance, trade and sustainable development, circular economy.

Source: By the author

Consumers, on directors' duties and on sustainable corporate governance. The objective of the study was to assess the root causes of "short-termism" in corporate governance, to identify possible EU level solutions.

The seven key drivers of short termism include the following:

1. Directors' duties and company's interest are interpreted narrowly and tend to favour the short-term maximisation of shareholder value.

2. Growing pressures from investors with a short-term horizon contribute to increasing the boards' focus on short-term financial returns to shareholders at the expense of long-term value creation.

3. Companies lack a strategic perspective over sustainability and current practices fail to effectively identify and manage relevant sustainability risks and impacts.

4. Board remuneration structures incentivise the focus on short-term shareholder value rather than long-term value creation for the company.

5. The current board composition does not fully support a shift towards sustainability.

6. Current corporate governance frameworks and practices do not sufficiently voice the long-term interests of stakeholders.

7. Enforcement of the directors' duty to act in the long-term interest of company is limited

The possible EU action in company law and corporate governance should pursue the general objective of fostering more sustainable corporate governance and accountability for companies' value creation. The EU has the following options for intervention:

- *Option A (non-legislative/soft)* – Spread sustainable corporate governance practices through awareness raising activities, communications, and green papers.

- *Option B (non-legislative/soft)* – Foster national regulatory initiatives aimed at orienting corporate governance approaches towards sustainability through recommendations.

- *Option C (legislative/hard)* – Set minimum common rules to enhance the creation of long-term value while ensuring a level playing field through EU legislative interventions.

The main interventions may be: the incorporation of sustainability in directors' duties; the elimination pressures from investors; the establishment of a compulsory strategic perspective with sustainability in





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focus; change in the board composition and board remuneration.

### *Involvement of stakeholders in board and executive bodies*

In 2015 the International Finance Corporation published *A Guide to Corporate Governance Practices in the European Union* explaining the 'Soft Law' model in the EU, the benefits of Good Corporate Governance, and the types and varieties of sectoral organisations, and analysed the owners', the boards', the managements' and the stakeholders' corporate responsibility and ethical standards in the EU's firms. The study summarised the obstacles to developing sound corporate responsibility concepts with conflicting approaches. It is very difficult to select the most appropriate way because companies need to invest time and money in understanding the different systems: the UN Global Compact; the UNEP Finance Initiative; the Equator Principles; the EMS/ISO 14000; the Global Reporting Initiative; the Enhanced Business Reporting Initiative; the institutional investors' specific requirements; the Indices (FTSE 4 Good); the media's "most admired companies" lists, and so on.

The Directorate-General for Financial Stability, Financial Services and Capital Markets of the Union (DG FISMA), FISMA.C.1 (Corporate reporting, audit, and credit rating agencies) decided to tackle non-financial reporting problems in 2020.

The agreed directives of the European Union are the following:

- Directive 2014/95/EU on Non-Financial Reporting (NFRD),
- Directive 2013/34/EU on Accounting as amended,
- 2017 guidelines on climate related reporting.

– 2018 resolution on sustainable finance.

– COM (2018) 353 Final Proposal for a regulation of the European Parliament and of the Council on the Establishment of a Framework to Facilitate Sustainable Investment.

– 2019 conclusions on Capital Markets Union,

– 2020 European Green Deal.

In comparison to the EU's narratives concerning the debate, it seems that there are three approaches to the problem:

a) Shareholders should be given primacy because this model has proved to be the engine of growth in Western economies.

b) Stakeholders should be given primacy because companies are legal persons and should be able to demonstrate social purpose beyond simply serving private shareholders and involve stakeholders in supervisory bodies.

c) The open market and independent companies' should be given primacy with focus on the purpose of the capital market, and there is no need for rules of good governance.

Regarding the legal environment, the OECD as a normative IGO focused on the open market perspective, the European Parliament on issues associated with stakeholders, and the European Commission on the importance of shareholders. The EFQM group conducted a survey of 2000 individuals and concluded that the stakeholder capitalism model was the most efficient, and moreover, not in a minimum version but in one that can drive real changes.

A study on directors' duties and sustainable corporate governance in EY's Final Report Annex II, published in July 2020 explores company law in 12 countries (Belgium, Germany, Finland, France, and Hun-





gary, Italy, Netherlands, Poland, Portugal, Slovenia, Spain and Sweden). In all twelve cases legislation only regulates economic organisations as for profit units. In most cases corporations are not granted the option to add any other purpose (environmental, social and others). Nearly everywhere, directors are not made responsible in any form whatsoever for sustainability. It is compulsory to involve employees' representatives in the case of companies with more than 500 employees in Germany, Portugal and Slovenia, above 150 employees in Finland, above 1000 employees in France and Sweden, and above 200 employees in Hungary. Italy is the only country that mandatorily requires the development of a sustainability strategy. But executives do not have any responsibility for stakeholder involvement.

Recently the SCM metrics and the different types of excellence quality models can be added to the list. Organisational excellence models served for leaders and managers to achieve and sustain outstanding levels of organisational performance that meet or exceed the expectations of all their stakeholders (EFQM, Baldrige Excellence Framework). In 2019-2020 both framework models were renewed. The Baldrige Excellence Framework for 2019-2020 features a focus on

- Leading and managing the context of the business ecosystem,
- Enabling an aligned, collaborative, and agile supply network,
- Creating and reinforcing the organisational culture,
- Broadening the cybersecurity focus to include your operations, workforce, customers, suppliers, and stakeholders.

There are fervent debates concerning competitive values and conflicting interests at boards, and between executives and

employees. The 2019 US Business Round Table Declaration and the WEF Forum Declaration were signed by the executives without consultation with shareholders or board members. The parties to this declaration meant to reinforce the existing practice. Other evaluators highlighted that the concepts missing from these declarations were more important. The aim of this declaration is the voluntary regulation of businesses, without any legal or governmental obligations.

#### THE EFQM MODEL 2020 AND STAKEHOLDER CAPITALISM

In October 2019, the new EFQM Model was introduced as a new concept to make a radical break with the former EFQM Model 2013 of excellence. A comparison with the recent 2019-2020 Malcolm Baldrige Performance Excellence Award (MBPA) or with the 2015 Canadian Excellence Innovation Wellness national award reveals that none of these excellence models go further than the neoliberal capitalist approach to corporate organisations. The MBPA sees the ecosystem as a business ecosystem, a network of suppliers, partners, customers and competitors, a framework for business growth, and a new resource potential for making better value proposal. The EIW model is more conservative in different criteria: only people's well-being is a special feature in the model, emphasising organisational and mental health policies.

In contrast to the MBPA and to the EIW, the EFQM Model 2020 has a new vision for outstanding organisations. The broad discussion carried out with award holders has led to a deeper change: it is not enough for organisations to be excellent in leadership, operations, and results, they should dem-





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onstrate an outstanding role in their ecosystems. The EFQM Model 2020 is less radical than the Davos Manifesto or the SCM model, and it is not only made for large corporations and organisations, but for all organisations. The EFQM Model 2020 relies on European social values, and it is consistent with Nordic-type social democracies, continental Christian conservative values, and the Southern humanist Christian conservative welfare model of capitalism. It has very little in common with liberal welfare models. The EFQM Model 2020 is distinctive for the following approaches:

- The organisation and its Ecosystem
- The Purpose of the organisation
- Sustainability and the organisation
- Long term objectives and Organisational Culture.

### *The organisation and its ecosystem*

The above-mentioned report reveals that the European corporate governance regime is neoliberal, and does not assign any legal responsibility concerning stakeholders. In this environment the EFQM Model 2020 principle, with a strong focus on stakeholders, can be considered as a merely normative idea, but with the EU's planned regulation it may be implemented by the Q1 2021 legislative action. The problem definition explains that: "[...] sustainability encompasses encouraging businesses to frame decisions in terms of environmental (including climate, biodiversity), social and human impact for the long-term, rather than on short term gains" in order to ensure environmental and social interests to fully embed into business strategies. The initiative is complementary to the review of the Non-Financial Reporting Directive, which requires certain large, public com-

panies to disclose sustainability-related matters.

The EFQM Model 2020 is also a globally recognised framework that supports organisations in managing change and improving performance, stresses the primacy of the customer, takes a long-term, stakeholder view, and stresses European values (the EU Charter of Fundamental Rights, the European Convention on Human Rights, the European Union's Directive 2000/78/EC, the European Social Charter) alongside global values (set out in the UN's Global Compact 2000 and SDG 2030). Business competitiveness, responsive and responsible operation are important parts of the excellence and quality management models.

### *The EFQM Model 2020 criteria for Outstanding Companies*

The EFQM Model 2020 is fully compatible with the Stakeholder Capitalism Metrics model, but it is more compatible with the European Values and European Supranational Governance System.

### *The ecosystem in the EU's multilevel governance*

The first and most important factor in the case of the EFQM Model 2020 is the detailed description of an organisation's ecosystem:

1) The organisation lives in a global environment, defined by global megatrends: globalisation, geopolitical uncertainty, disruptive technologies, raw materials, global warming, demographic diversity, social trends, and SDGs (Sustainable Development Goals). These keywords are more than just a list of words, they constitute a set of cosmopolitan values, in contrast to populist approaches to the recent state of





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Table 3: Criteria of the EFQM Model 2020 by new approaches

Direction	Execution	Results
<b>Stakeholder Capitalism purposes (ESG Report, SCM Report)</b>		
Identify and understand stakeholders' needs	Customer segmentation	Customer perception results
Understand the ecosystem, capabilities and challenges	People, attract, engage, develop, retain	People perception results
Define purpose and vision	Business and governing stakeholders	Business and governing stakeholders results
Design and implement a governance and performance mgmt. system	Society, development, well-being and prosperity	Society, development, well-being, prosperity, results
	Partners and suppliers, support for creating sustainable value	Partners and suppliers, support for creating sustainable value results
<b>Short and middle term business purposes</b>		
	Design the value and how it is created	Achievements in delivering its purpose and creating sustainable value
	Communicate and sell the value	Fulfilment of key stakeholders' expectations
Develop strategy	Deliver the value	Achievement of strategic objectives
	Define and implement the overall experience.	Achievements in Driving Performance
	Drive performance & manage risk	Predictive measures for the future.
<b>Long term business purposes</b>		
Steer the organisation's culture and nurture values	Transform the organisation for the future	Social commitment by the organisation
Create the conditions for realising change	Drive innovation & utilise technology	The rate of implementation of new technologies and changes
Enable creativity and innovation	Leverage data, information and knowledge	Results, reports, ESG report
Unite behind and engage in purpose, vision and strategy	Manage assets & resources	Use the achieved results for forecasting future performance with an expected degree of certainty.

Source: Author's own elaboration





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humanity: they are focused on the ongoing trend of globalisation against de-globalisation and the populist “sovereignism”. It stresses global climate warming in contrast to denying it by populist political parties and persons, it is focused on demographic diversity as ongoing process of globalisation of workforce and new waves of migration. It stresses global governance concerning human development, social trends, geopolitical complexity, and technological trends. A corporation must respond to these questions as it is embedded in the world as in its global ecosystem. MNC’s and TNC’s are part of a global governance regime, and their corporate political activity should contribute to global goods.

2) The second layer of the EFQM 2020’s ecosystem approach concerns the market sector: it is rather the economic subsystem of the global environment than a territorial framework, as markets may be global, regional, national or local, and there is no modality indicator: the organisation must decide which market is its focal area. In the

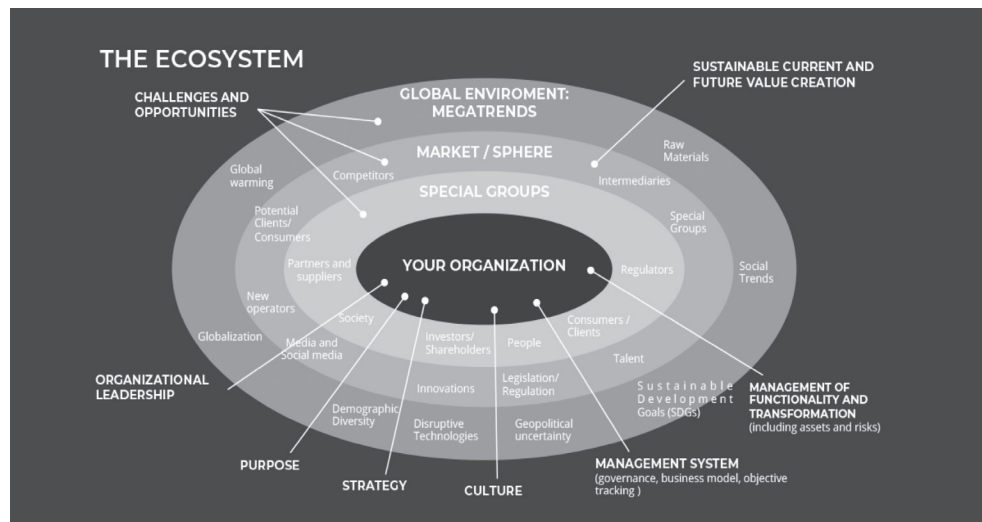
market sector the main actors include competitors, new operators, potential clients and consumers, and intermediaries. Innovations, legislation, regulation, talent and special groups can be conceived as a business environment: global, regional, national or local ecosystems and trends. In the case of talents, regional, national and local education systems, management schools, workforce and human capital development programmes and policies may be mentioned. Special groups include interest groups, like environmentalists.

3) The third ring of the EFQM 2020 ecosystem is also called special groups: they include the stakeholders, more specifically consumers and clients, people, regulators, investors, shareholders, the broader society, partners/suppliers and special interest groups.

- Business stakeholders may include owners, shareholders, investors funding organisations

- Governing stakeholders may include government departments, regional or local

Figure 2: Official EFQM 2020 Ecosystem Map





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bodies (statutory & regulatory), public authorities or parastatal institutions.

4) In the central layer, challenges and opportunities are derived from the global environment, from the market sector and from special groups, with emphasis on “sustainable current and future value creation” in the market sector. Organisations are arranged around the purpose, strategy, culture and management system (governance, business model and objective tracking), including organisational leadership and the management of functionality and transformation (among them assets and risks).

### *The purpose of organisations*

There are four approaches to the purpose of an organisation: the legal approach; the financial approach, the business and financing model (return on investment and dividends) and the managerial approach. The latter concerns the method of building a successful company and operation. The political approach is about the management of political issues, public policy questions, and the social responsibilities of the organisation. The EFQM 2020 does not discuss corporate forms or endeavour to pick the best form for a purpose driven organisation (shareholder or stakeholder primacy). Shareholder primacy is accepted as a financial approach: if a firm wishes to obtain subsidy from the central or local government, shareholder primacy is not a happy strategy.

The EFQM Model 2020 does not use the term “excellence” to classify organisations as good and responsible; the new buzzword is “outstanding”. In the EFQM corporate reporting system evidence must be provided for the following:

- The purpose of an organisation was acknowledged as permanent in its ecosystem; resonates with its stakeholders.

- Its purpose defined by the needs of stakeholders,

- value delivered by the contribution of stakeholders,

- the stakeholders’ developed competences and evaluated contribution,

- perceptions of results.

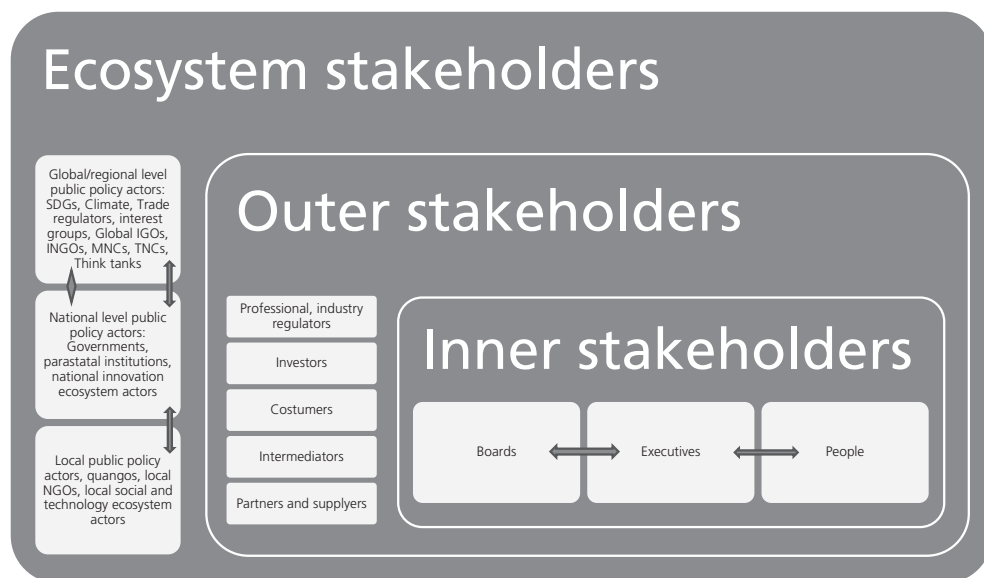
This reveals that the EFQM Model 2020 gives a very lenient definition: “It resonates with its stakeholders”, defined by needs, with focus on stakeholder contribution, capabilities and on the “perceptions of results”. Thus, these criteria may hardly be considered as stakeholder capitalism. The EFQM Model 2020 is a more advanced stakeholder model than the Stakeholder Capitalism Metrics indicator system. It is more focused on social development: while the SCM model analyses customers in an organisational framework, the EFQM 2020 defines purpose for the entire ecosystem, while the SCM and the Malcolm Baldrige Performance Excellence Model consider stakeholders in a balanced situation to shareholders, the EFQM Model 2020’s main focus is the purpose of the ecosystem, and stakeholders are ranked only after customers and people, alongside regulators, followed by society and the last group of partners and suppliers.

The EFQM Model 2020 needs indicators for all five types of the above-mentioned involvement of stakeholders. The focus of leadership and management is shifted from value creation to stakeholder value creation. Leaders and management groups are not included among stakeholders, they are above these actors as responsible leaders. What remains a concern is the parties who select them, the scope of their responsibility.





Figure 3: Stakeholders in the ecosystem



Source: Author's own elaboration

ity, and the people they are accountable for. As these are not clear, the EFQM Model 2020 evaluates a sustainable stakeholder organisation's leadership practices if these standards are incorporated in directors' and boards' duties and if sustainability is incorporated in the specified purpose, however, the involvement of stakeholders' representatives in boards and executive bodies, or any change in the board composition and remuneration are not mentioned. The best practice of specifying executives' duties to stakeholders and of the evaluation of their activity is not selected in the case of ecosystem goals and stakeholder performance, instead:

- a governance structure is established to enable Key Stakeholders to contribute to strategy- and decision-making
- a policy document ensures a reporting system built into the organisation's operation to enable timely accountability and

transparency with Key Stakeholders, and

- stakeholder perceptions relate to past and current Key Stakeholders and are obtained from a number of sources, including surveys, focus groups, ratings, press or social media, external recognition, advocacy, structured review meetings, investor reports and compliments/complaints, including feedback compiled by customer relationship management teams.

#### SUSTAINABILITY IN CORPORATE GOVERNANCE STRATEGY, VALUE OFFER AND RESULTS

Corporate political activities are required for decisions on a firm's ecosystem (local, national, global), the methods of evaluating stakeholders in the ecosystem, as it may be a complex group. In the case of multilevel governance, active contribution is required for meeting global (SCM, UN Global Com-





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pact metrics) and regional standards (EU level guidance), national regulations and legislative requirements, and for co-operation with public policy officials, the local government and civil sector, local clusters and other locally developed spatial ecosystems.

The main questions remain: Who should decide on environmental, social and governance strategies and how and what are the different methods of developing real-life and truly important SDG 2030 goals? The EU's 2019 SDG 2030 report gives benchmark data for performance by the different countries. The main problem is the absence of sub-national data. There are great differences between capital cities and remote areas. Who is allowed to specify the SDG objectives? It is very difficult to join the EU's official national strategies within the programme periods because they are constructed for using the EU's cohesion funds. There are great differences in the Member States' local development practices due to differences in the local governments' autonomous planning rights.

Both the EFQM Model 2020, and the SCM model of corporate governance need to redefine the national models for SDG 2030 development. The EFQM Model 2020 does not prescribe either SCM or GRI, or any other reporting system. An organisation's definition of ecosystem is important. The most important question is the development of a consumer base, workforce resources, and finding good partners and suppliers. The Nordic welfare system and the continental development state traditions seen in Germany focus on the entire living space's sustainability. In the case of Europe, the social function of business organisations is more usual than the development of proactive business policies.

### *Corporate culture and long-term objectives*

It is a common experience that companies that prioritise long-term value creation in their strategy and decision-making processes can deliver better and more stable financial performance than their peers in the short and long term. The implementation phase in the case of the EFQM Model 2020 begins with evaluating the needs and capabilities of stakeholders, which is necessary for performance planning. European business history can demonstrate extremely long company life spans (as a Norwegian business insurance firm with a history of eight hundred years). During the past 40 years large companies' life cycles have narrowed from 30 to 24 years and it is now forecast at 12 years. Distrust in companies is increasing because of quality problems, ethical questions and the decreasing number of decent workplaces. The indicators of long-term thinking include R&D spending, the total investment rate, the pay-out ratio, the total share buybacks, talent retention, marketing and customer experience. KPMG' Long/Term Value Framework is built on four pillars:

1) A financial model and a non-financial model: (corporate purpose, Alternative Total Shareholder Return, resource, and capital stewardship.

2) Business model: growth options for the short-, medium- and long-term future, strategic intangible assets (relational capital, social capital, intellectual capital, knowledge capital) and relationship with key stakeholders.

3) Operating model (strategic planning, risk management and Innovation, integrated governance, adaptive culture, and capabilities).

4) Dashboard and management information.





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The EFQM model is organised around long-term objectives relating to culture, innovation, and change management. It is a very innovative approach, because the long-term objectives, long term implementation activities and results can be built around culture development.

In summary, the EFQM Model 2020 is a useful management model for sustainable organisations. In contrast to the different reporting standards, it is a very flexible, dynamic, and adaptable model for all types of organisations and all sectoral models. The GRI reporting model and the SCM reporting systems can serve formal purposes: they can report on sustainability for political and economic market access purposes. The EFQM Model 2020 requires contribution by the entire system: co-operation by shareholders, executives, boards, the operative management, with reasonable involvement of the stakeholders and actors from the business ecosystem. It has no political focus; it is unsuitable for political activism, and keeps business organisations in the framework of the national law. It has a great competitive advantage, in contrast to all other static forms of reporting: it can reflect to the national capitalist model of welfare states. In comparison to the Malcolm Baldrige Performance Award and Canadian Excellence-Innovation-Wellness model, and to the former EFQM 2013 model, it has a strong business development potential with clear approaches to ecosystem mapping, clear tasks concerning medium- and long-term strategies, with realistic and non-political explanations for sustainability and a clear guidance on stakeholder management.

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