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SUSTAIN ABILITY *BRIEFING*

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A new call for action for Ukraine from global business leaders

 IN A PAPER in the journal *Global Business and Organizational Excellence* a number of researchers from Asia analyze the connection of war to global business. This includes societal problems like lower growth and refugee streams as well as shortages in the supply chain and increased threats of cyberattacks, disinformation and increased corruption. This can be used by companies when finding ways to handle the negative consequences, how to support the ones inflicted by war and what stand the companies should take from an ethics perspective as well as a branding perspective. Analysis was built on a systematic review over relevant news articles on the Ukraine and Russia conflict. ■

02

Increased **IMPORTANCE FOR HUMAN RIGHTS** *after Ukraine*

>>> IN THE JOURNAL MIT Sloan Management Review panel experts discuss the long lasting effects of Ukraine on international companies work with human rights. A third of respondents says in the survey that companies now will broaden their perspective and expand their work with human rights. The invasion and the war crimes "are making human rights a bigger concern for people, governments,

and companies around the world", as one respondent says. However, another group of the respondents, about 4 out of 10, says the topics are disconnected and that actions from companies on Ukraine is more about geopolitics than about human rights. Also, twenty percent are neutral to the question and asking how long term the new engagement in human rights will be for companies. ■



SOURCE: Will Russian Sanctions Have Long-Term Effects on Human Rights Protections? (mit.edu)
<https://sloanreview.mit.edu/strategy-forum/will-russian-sanctions-have-long-term-effects-on-human-rights-protections-what-experts-say/>



Ukraine war destroy shareholder value, also for those leaving the country

>>> DURING THE FIRST MONTH of the war companies with operations in Russia overall lost up to 4 percent of their value in general. This was the result of a study covering stock market reactions of 381 firms with Russian exposure, building on the list by Yale University of companies leaving or not leaving Russia. The study shows “a clear destruction of shareholder wealth” coming from war. Those companies that decided to leave Russia lost even more in value compared to those who decided to stay. This was especially the case for manufacturing firms who often had to

leave behind physical assets and supply chain partners in Russia. For service firms the reaction was less negative. Researchers also conclude that staying on was an unpopular decision to make and point to that some companies were hesitant on how to act and postponed the decision to stay. ■



SOURCE: Should I stay or should I go? Stock market reactions to companies' decisions in the wake of the Russia-Ukraine conflict by Marc Berninger, Florian Kiesel, Sascha Kolaric :: SSRN https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4088159

Ukraine war bring mixed stock market reactions to companies with high climate risks

>>> RESEARCHERS HAVE STUDIED the effect on the financial markets of the Russian invasion of Ukraine, covering about 4500 stocks globally. They found that companies with high risks due to climate change performed better on the stock market. Hence, companies with high climate transition risk, including industries such as oil and gas, gained in comparison with other companies. The conclusion was that investors expected the transition to a low-carbon economy to slow down due to the war. However, this was on a global level and looking at the EU-companies another picture emerged. European stocks with high transition risk did not perform better, but actually worse, especially in the start of the war. The explanation was the expected policy responses away from Russian oil and gas. Hence, the speed of transition to a low-carbon economy in Europe could be strengthened by the Russian war on Ukraine. Overall, stock markets reacted negatively initially to the war, but had rebounded by the end of March, even though countries put more and more sanctions in place. ■



SOURCE: Stock Prices and the Russia-Ukraine War: Sanctions, Energy and ESG by Ming Deng, Markus Leippold, Alexander F. Wagner, Qian Wang :: SSRN https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4080181&msclid=78f0a1a2c-f7411ecaab2de5be769d2aa

More sourcing close to home after Ukraine

»» **THE WAR IN UKRAINE** will strengthen the ongoing development of more local and regional sourcing. This trend earlier driven by the need of resource efficiency due to climate change and the increased tensions with China will further be emphasized, authors write in Harvard Business Review. There are several reasons behind this. Transport costs will increase due to the oil and gas prices soaring as consequence of the war. Also, companies have used the now closed Russian railroads and Russian air space for transports from their suppliers in Asia to western markets. The alignment of Russia and China in the war will further motivate companies to source outside these markets, and preferably close to home through local or regional suppliers. Finally, authors conclude that: "the Ukraine war's surprisingly large impact on European car manufacturing has highlighted the risk associated with the current global supply chains". ■



SOURCE: How the War in Ukraine Is Further Disrupting Global Supply Chains (hbr.org) <https://hbr.org/2022/03/how-the-war-in-ukraine-is-further-disrupting-global-supply-chains>



ALEXANDR VOYKOTIN

Companies with high ESG scores more likely to boycott Russia

»» **THERE IS A CONNECTION** between how advanced a company is on ESG and how the company reacts to the war in Ukraine, a new study shows. "Firms with higher ESG and human rights scores are less likely to leave their operations unchanged", the authors write. They are stating that companies that are good at ESG also are prone to react more on the war and leaving Russia. In addition, the stock market reaction on the news of the complete exit of Russian operations was also less negative

compared to other companies. This confirming a general conclusion that "firms with high human rights and ESG scores have a less negative stock market reaction following negative cash flow news". Researchers have used a data set covering 299 firms and studied the decision to remain or leave the Russian market amid the invasion of Ukraine. ■



SOURCE: <https://ssrn.com/abstract=4078143>

Increased DEMOCRACY and LIBERALISM after the war

»» **"PUTINISM WILL NOT** be seen as a viable model for either building a prosperous society or generating stable autocracy", argues professor Lucan Way at Toronto University in a new piece in Journal of Democracy. The Russian invasion has highlighted the dangers with nationalism and illiberalism, he claims and hope to see a rebirth of the new liberal world order that was developing earlier. Other autocrats in the world will be less tolerated by the international community and it will be costly for politicians to oppose liberalism. "Democracy is not simply an abstract good but has important im-

plications for human welfare" he writes and states that even if democracy not automatically generate economic growth or reduce levels of corruption, "it does allow societies to avoid the kind of brutal violence we see today in Ukraine and, to an increasing extent, in Russia". ■



SOURCE: Project MUSE - The Rebirth of the Liberal World Order? (jhu.edu) <https://muse.jhu.edu/article/852741>

Entrepreneurs for peace

>>> ENTREPRENEURS CAN

contribute to peace in regions of conflicts. It can be done in a number of ways, researchers state in an article in *Business & Society*. Firstly it is about trickle down effects of the operations in terms of increasing wealth, jobs and personal development. Hence, offering the prospect of economic advancement as a disincentive and alternative to violence. Also, social contributions can be made in terms of philanthropy and direct donations to those affected by conflict as well partnerships with NGOs. Third, entrepreneurs can through their business interaction create social cohesion, meaning better relations, stronger bonds and even a joint sense of togetherness among groups that were previously in conflict. ■

How business can contribute to peace

Economic development	Creating wealth and employment which alleviates poverty
Sense of community	Through moral business practices, stakeholder engagement, and social interactions
Conflict sensitive practices	Implementing risk assessments that reduce their complicity in causing violence
Track-two diplomacy	Companies neutral third party in conflict reduction negotiations
Rule of law	Businesses drive legal advancement by the host country that undermine the drivers of conflict



SOURCE: Entrepreneurship and Peacebuilding: A Review and Synthesis - Jay Joseph, John E. Katsos, Harry J. Van Buren, 2022 (sagepub.com)
<https://journals.sagepub.com/doi/full/10.1177/00076503221084638full/10.1177/00076503221084638>

Purpose drive employees sustainability actions

»»» **A COMPANY WITH** a clear purpose increases the commitment for sustainability among employees in the organization. This especially if the employees have a high freedom to act within the sustainability program, hence having a “high autonomy in enacting their sustainability actions” as the authors of the article put it. Purpose is of special importance for those in the organization that feel that “being moral is more central to their sense of self”, meaning individuals that care deeply for sustainability issues, often belonging to a younger generation in the companies. The paper builds on surveys of employees in four companies. According to the authors purpose “asks what the company can do for others” and is articulated “in terms of the benefit or good a particular business provides to society at large”. ■



SOURCE: Corporate Purpose and Employee Sustainability Behaviors | SpringerLink
<https://link.springer.com/article/10.1007/s10551-022-05090-5?msclinkid=c-9963707d05811ec85ae50d21c13b7c2>

New upcoming article in the **Shared Value series in HBR**

»»» **IN AN UPCOMING** article in Harvard Business Review the topic “Economics of impact” will be addressed. It is a new article by Mark Kramer and Marc Pfitzer in the series of influential papers on Shared Value, originated from professor Michael Porter with colleagues. The article is addressing the societal level of Shared Value and argues that to capture new opportunities within societal transformation financial and ESG goals need to be more clearly linked. These societal dimen-

sions could be climate change and the road to net zero or other topics connected to the UN Sustainable Development Goals, such as inclusion or democracy. Kramer & Pfitzer proposes a process where companies connect materiality and purpose with the domains of transformation through their business strategy. In addition, companies should use the resources in their ecosystem of stakeholders and bringing investors with them on this journey of transformation. ■

ABOUT US

FOREVER SUSTAINABLE

We are a Scandinavian hybrid consultancy and think tank focusing on sustainable business and Shared Value.

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