Teaching "Grow the Pie" in a Course

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Below is a potential outline for how "Grow the Pie: How Great Companies Deliver Both Purpose and Profit" can be taught in a course, e.g. on corporate governance, responsible business, or sustainability. Accompanying this outline, I have produced sample slides for each lecture. The slides for Lecture 6 are available on www.growthepie.net; the sample slides for other lectures are available upon request, and I'm happy to share them in Powerpoint (rather than PDF) if you find them useful and would like to use them.

The slides contain the key principles of the book; in the notes of each slide, I specify the pages of the book that the slide correspond to. However, they aim to go beyond the book in several ways:

- The book is for the general-interest reader and thus does not go into the nitty-gritty detail of how certain mechanisms operate in real-life e.g. how shareholder voting works, how to launch a proxy fight. However, this may be interesting to students, so the slides contain such detail.
- Some slides contain topics not covered in the book due to lack of space. E.g. Chapter 6 considers the evidence on the balance of power between management and shareholders (e.g. Gompers, Ishii, and Metrick (2003) and related papers), which is the key agency problem in developed countries. However, the key agency problem in emerging countries is the balance of power between large and small shareholders. Chapter 6 also focuses on shareholder rights, rather than other governance issues such as board structure.
- The slides contain relevant events that occurred after it was completed, e.g. the Business Roundtable statement and the Coronavirus crisis.
- Some slides have updated numbers (e.g. for the CEO pay ratio), or updated examples for the same principle (e.g. a CEO who was criticised for high pay but had created substantial value for society).
- I've also tried to make the slides interactive by including questions that you can ask students, which are in bold.

The outline below assumes lectures of 2.5 hours, excluding breaks; naturally, the material can be divided up differently if you have lectures of different length (e.g. if lectures are 80 minutes, then one lecture can be split over two). Some lectures are designated as "half-lectures". This will correspond to one 80-minute lecture; or, if your lecture is 2.5 hours, it can be combined with a guest speaker, group project, or the first half of the next lecture.

The slides contain far more material than can be fitted into 2.5 hours and I don't even use all of the slides in my Responsible Business elective. This is deliberate, since different instructors may wish to focus on different aspects, so they can choose which of the slides to use and which to discard (rather than being constrained to use the slides that I've personally chosen for my lectures). For the same reason, instructors can spread one lecture's material over far more than 2.5 hours of class. However, even though I do not use all the slides in my Responsible Business elective, all slides have been tried-and-tested and used previously in other settings (e.g. presentations to companies or investors)

Lecture 1: What is a Responsible Business?

Chapters 1 and 2

- What is a responsible business?

    - One that seeks to create profits through creating value for society (grows the pie). Note that profits are important, not just social value. Focusing on profits alone is irresponsible, but so is ignoring profits
    - One that avoids errors of omission as well as errors of commission. An even more irresponsible action than (say) high CEO pay is failure to innovate
- How does responsibility differ from *long-term* shareholder value maximisation?
    - Long-term shareholder value maximisation and the Friedman doctrine are actually much more nuanced than currently caricatured. A company that maximises long-term shareholder value will still invest in stakeholders
    - The importance of an intrinsic rather than instrumental approach to investing in stakeholders
    - The recognition that shareholder welfare is more than just shareholder value: shareholders care about externalities

Lecture 2: The Returns to Responsible Business (half lecture)

Chapter 4

- The dangers of confirmation bias, particularly on issues such as responsible business where there are strong pre-existing views
    - The dangers of over-extrapolating from a single case
    - The importance of considering alternative explanations for a result
- There is evidence that certain dimensions of social performance are correlated with long-term shareholder returns
- However, the evidence is far from one-way: the average socially responsible investing fund does not beat the market, and sin stocks outperform

Lecture 3: Putting Responsibility into Practice

Chapters 3 and 8

- Why responsibility does not mean taking all investments that benefit stakeholders: growing the pie does not mean growing the firm
- Principles to guide decision making if maximising shareholder value is no longer the criterion
    - The principle of multiplication
    - The principle of comparative advantage
    - The principle of materiality
- The importance of excellence and actively creating value, rather than just doing no harm
- What "purpose" actually means; the importance of a purpose statement being targeted; and how to put purpose into practice so that it is more than just a statement
- A partnership approach to stakeholders

Lecture 4: Responsible Executive Pay

Chapter 5

- The controversies surrounding high pay – but why high pay can be consistent with responsible business
- Debunking many common myths about executive pay with evidence
- How to reform pay to make it more responsible
    - Increasing the horizon of pay, including extending it beyond the CEO's departure
    - Simplifying pay, moving from complex bonuses to restricted stock
    - Addressing inequality with a higher income tax and broad-based share schemes
- Why pay ratios can be misleading

Lecture 5: Responsible Investing[1]

Chapter 6 (p151-164), Chapter 9 (p230-235)

- What is responsible investing, and what are the recent trends?
- The evidence for whether responsible investing works
    - This covers the "G" of ESG; the "ES" was covered in Lecture 2
- Innovations in responsible investing practices, e.g. from screening to integration
- The data sources used for responsible investing, why they might be problematic, and how to address these limitations
- Why responsible investing is not "patient investing"; selling shares can be responsible

Lecture 6: Responsible Stewardship

Chapter 6 (p135-151), Chapter 9 (p225-230 and p235-245)

- What is stewardship, what are the alleged problems with it, and how regulators are aiming to encourage it
- The controversies surrounding shareholder activism – and the evidence for its actual effects
- A deep dive into different forms of stewardship: voting, shareholder proposals, proxy fights, individual engagement, collective engagement
- Beyond asset managers: the stewardship responsibilities of the rest of the investment industry

Lecture 7: Are Share Buybacks Responsible Business? (half lecture)

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[1] Note that book divides the topic of stewardship / responsible investing into Chapter 6 (how stewardship is currently practiced) and Chapter 9 (how stewardship can be improved). This works with the flow of the book as Chapters 5-7 are on current practices and Chapters 8-10 are on ideas for reform. However, for teaching purposes, it likely makes more sense to combine both current practices and ideas for reform. Thus, I've split the lectures up into "responsible investing" (what the book calls "monitoring") and "responsible stewardship" (what the book calls "engagement").

Chapter 7

- The controversies surrounding share buybacks
- Debunking many common misconceptions about share buybacks through an understanding of how they operate
- The evidence for the long-run effects of buybacks, whether CEOs use buybacks to boost their pay, and whether buybacks starve firms of cash for investment
- How buybacks may destroy long-term value