



B.S.LAB
Business Systems Laboratory



E-BOOK OF ABSTRACTS
FIFTH BUSINESS SYSTEMS LABORATORY
INTERNATIONAL SYMPOSIUM

*COCREATING RESPONSIBLE FUTURES IN THE DIGITAL AGE:
EXPLORING NEW PATHS TOWARDS ECONOMIC, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY*

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GANDOLFO DOMINICI

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Exploring new paths towards economic,
social and environmental Sustainability

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BOOK OF ABSTRACTS

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While focusing on the Systemic perspective the Symposium is also open to all the scientific approaches in order to foster constructive debates and confrontations to create new perspective of research and practice in the field of business.

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The Ethical approach in Investment Management Institution Self-Presentation. A Content Analysis on UK and Italian IMIs

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ABSTRACT

The role of ethics in investment decision has been an hot topic in the last couple of decades (Dobson, 1993). However, until the 90's of the last century, ethics were considered only as a constraint to the investor behavior (Dobson, 2010); this gives a different approach from the usual one, prescribing ethics as a behavior motivation, not as a constraint (Beauchamp, 2001). In reverse, in the last few years, it has become more and more widespread as Investment Management Institutions (IMI) have acknowledged that some of the investors are making their financial decisions taking into considerations other non financial aspects as the long-run impacts their investment decisions can have on the society as a whole (Sparkle, 1998; McLachlan & Gardner, 2004; Hockerts & Moir, 2004). Sauer (1997) stated that socially responsible investors use their personal value systems to set their investment criteria.

IMIs can answer these needs screening specific companies or sectors, focusing investments in sustainable industries, or analysing companies for their environmental, social or governance performance, and for their stakeholder engagement practices (Bilbao-Terol, Arenas-Parra, & Canal-Fernandez, 2012).

One consequence has been the rise of social and ethical investments during the last decade (Bauer & Koedijk, 2005), in the form of Socially Responsible Investing (SRI). Ziegler and Schroder (2009) have found a 1200% growth in SRI assets from 1995 to 2005 in the US (they now cover

approximately the 10% of the total US management assets and over 10% of European funds). According to the European Sustainable Investment Forum (EUROSIF) in Europe all SRI strategies have experienced high rates, raising between 2011 and 2015 98.329M € and with a growth of 385% only over the last two years (European SRI Study 2016).

This has highlighted the need to communicate to the investors the key intangible aspects related to social responsibility, shedding light on the sustainable aim and nature of the investment funds (Boulstridge & Carrigan, 2000). As regards the consequences of this change of perspective, the issue of coherence between the core values and the communication of these to the different categories of investors has become more and more relevant.

Hence, as a corollary, the analysis takes into account the perception of the degree of ethics about the socially responsible investment funds by the potential investors. Infact, if the company want to attract resources from ethically oriented investors, it has to communicate their value-proposition, making ethical aspects relevant and recognizable. In relation to this, different authors (Hoeffler e Keller 2002; Sen e Bhattacharya, 2004) note how the benefit deriving from socially responsible behavior can only be obtained by managing to maintain constantly the same conduct over time. The strict bond with time establishes an integral part of the concept of “corporate association” (Brown & Dacin, 1997), as the whole of the perceptions the single stakeholder has achieved about company’s behavior during the time and it actively contributes to influence his interpretation about the actions taken by the company (Brown, et al., 2006). Furthermore, the companies can also benefit from maintaining a socially responsible behavior by implementing, even for specific products, a differentiation strategy when consumers associate greater value with socially responsible behavior (Carroll and Shabana, 2010).

Moreover, companies have been taking advantage of the web to communicate their socially responsible activities and, according to Castelo Branco and Rodriguez (2008), the study of this media is essential to understand how much a company is sustainable. In fact, companies use the web to make the stakeholders conscious about their socially responsible activities (Williams and Pei, 1999) with more details than those they could provide otherwise (Esrock and Leichty, 2000).

This short literature review has highlighted the different roles that SRIs can have for a IMI and a need to complement the traditional financial communication with a more ethically oriented one in order to become legitimated actors in the new SRI’s markets and be able to tap in this more and more widespread market.

Accordingly, in this paper, we have decided to look into the communication processes of the IMIs in order to understand if a potential investor is able to evaluate their ethical approach and if they perceive a gap between the IMI’s activities, their investment decisions, and the image they are communicating through their websites. We have focused on the websites as they are the main channel for the voluntary disclosure of modern companies (Castelo Branco & Rodriguez, 2008) and the main source of the company’s self-presentation (Esrock & Leichty,1998; Maignan, & Ralston, 2002).

In order to test these hypothesis we have looked to the IMIs that have explicitly expressed an interest in SRI and we have engaged Students enrolled in a Business Ethics course in order to know how they perceive the products (investments funds) and the IMIs.

We have selected the IMIs starting from those that have chosen to be members in one of the national chapters of the EUROSIF, the European Sustainable Investment Forum. Moreover we have decided to focus on two countries that have been already used in previous literature on the topics of Ethics, Sustainability, and CSR (Burlando, 2001; Albareda, *et al.*, 2006; Smith-Doerr, 2009) as they are deemed to be really different: Italy and the UK. Moreover, as we wanted to investigate the perception of a general retail investor, we have focused only on those IMIs that are actively involved in creating funds to sell at retail investors not considering those that operate only in the asset management or in the impact investing segments of the financial market.

The analysis have been conducted using the Content Analysis approach (Krippendorff, 1989; 2012; Neuendorf, 2002) in order to get a richer evaluation of the IMIs starting from the way they communicate using their Websites. The Content Analysis approach has been selected as it helps in understanding the meaning of a content taking into account the context it has been selected out.

We have asked the students to evaluate the selected IMIs website on three main dimensions. At the first step they have looked into the corporate part of the website in order to understand the IMI's self-presentation. In this way they could evaluate the role Ethics, sustainability and social responsibility had in the image each IMI has been trying to project on the market. A second step in the analysis has focused on how these institutions describe their methodology and on how they present the ethic- and the sustainability-related topics in their financial documents (Methodological Approach, Fund Reports, Key Investors Information Documents). Finally we have asked them to evaluate the relevance of ethics, sustainability and social responsibility in their communication channels.

A specific part of the analysis has been geared toward the stakeholder engagement practices these IMIs do communicate as they have been already considered as a good proxy for the communication transparency that is needed to be a legitimate actor in modern markets (Morsing, & Schultz, 2006).

After the various analysis we asked them to state their perception of the relevance of Ethics for the various IMIs. We have used the various statements given from the students on the various parts of the IMIs' self-presentation in order to infer how much these institutions, that have chosen to be part of the SRI market, are using the ethics in a instrumental or in a principal way. Moreover we have used them to asses if they have a different ethical approach to manage funds.

These results have then been compared to the Morningstar rating of the funds in order to understand the relationship between the perceptions and the rating agency evaluations.

Keywords: Ethical Finance, Investment Management Institutions, Content Analysis, Voluntary Disclosure, ESG Paradigm, Socially Responsible Investment.

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