

Stakeholder Value Added



Center for
Sustainability Management e.V.
Centrum für
Nachhaltigkeitsmanagement e.V.

International Workshop on Improved Investment
Analysis Tools: Links to Sustainable Development

Lisbon, Portugal 19-21 November 2001

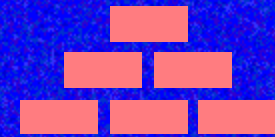
Frank Figge, Tobias Hahn & Stefan Schaltegger

www.csm-ev.org/



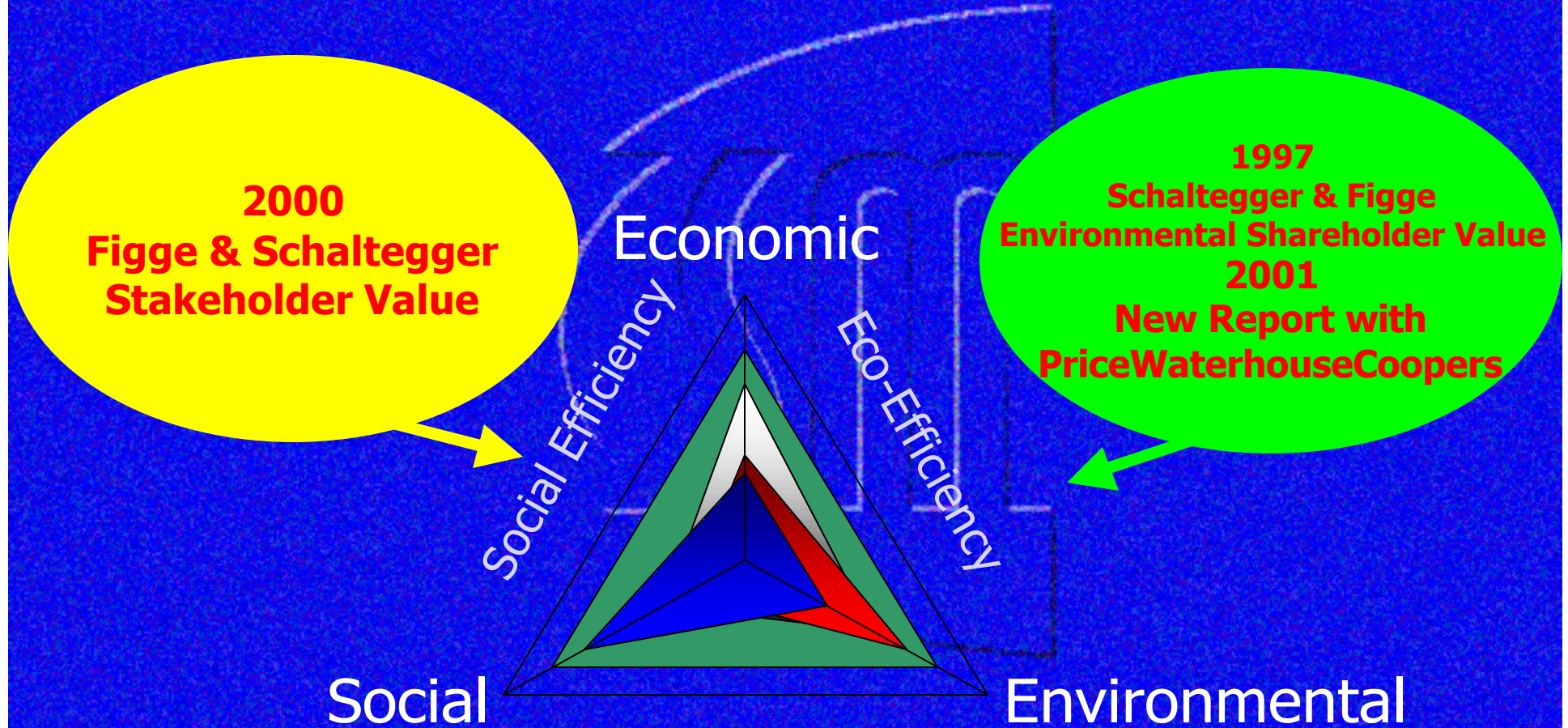
We would like to thank the German Federal Ministry of Education and Research
for funding this training session.

Content.



- Ecological and social efficiency as a *conditio sine qua non* for business success.
- Environmental Shareholder Value
 - Environmental Value Drivers
 - What kind of environmental protection drives Shareholder Value?
- Stakeholder Value
 - What is Stakeholder Value?
 - How can Stakeholder Value be calculated?

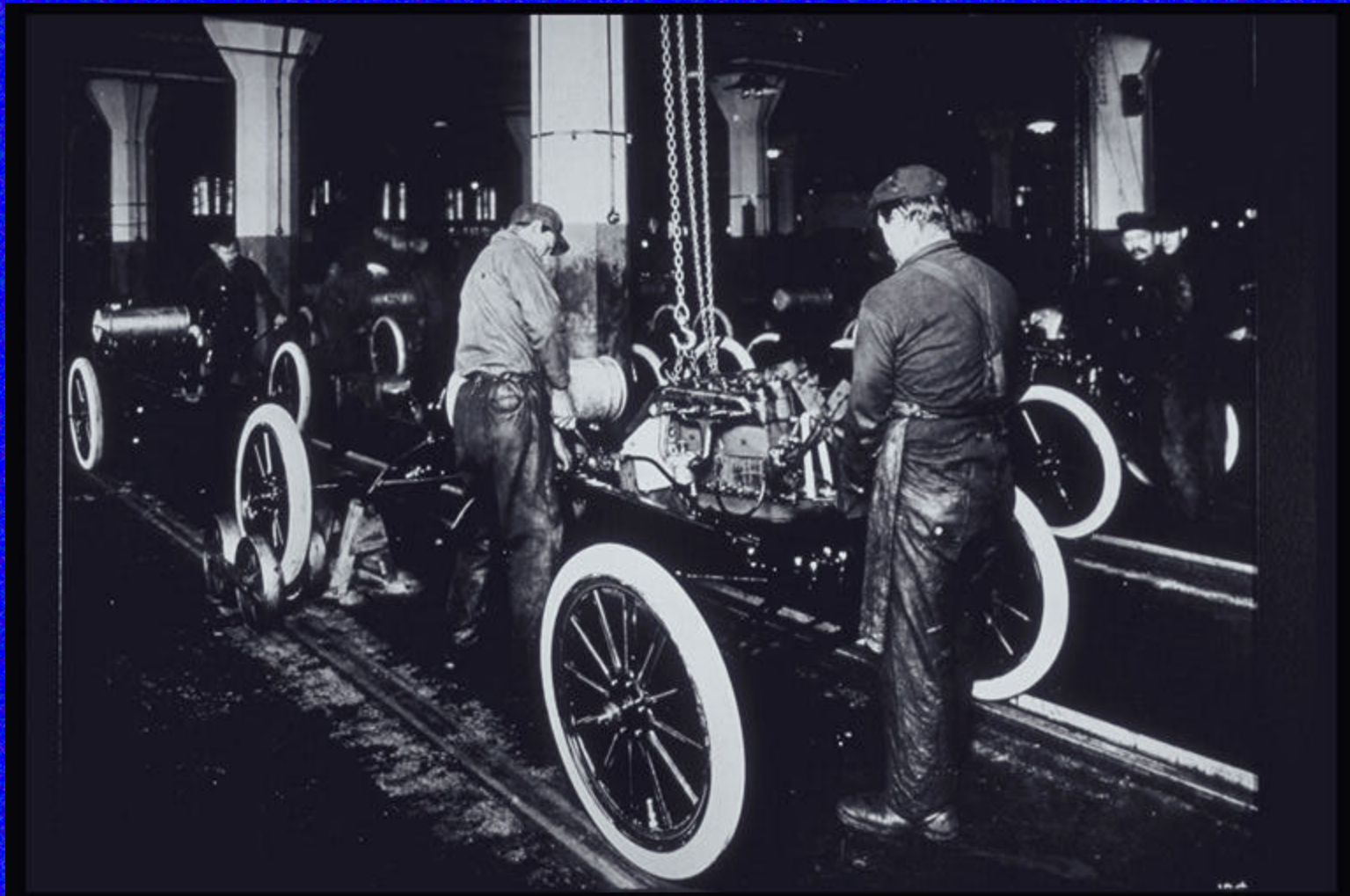
Efficiency is not sufficient - but it's necessary.



How can companies create value sustainably?

- From the perspective of
 - Shareholder Value,
 - Environmental Shareholder Value and
 - Stakeholder Value Addedthe following holds true:
- Value is created, whenever benefits exceed costs.
- Besides direct costs there are also opportunity costs.
- Opportunity costs correspond to the benefits of the alternatives that have not been pursued.

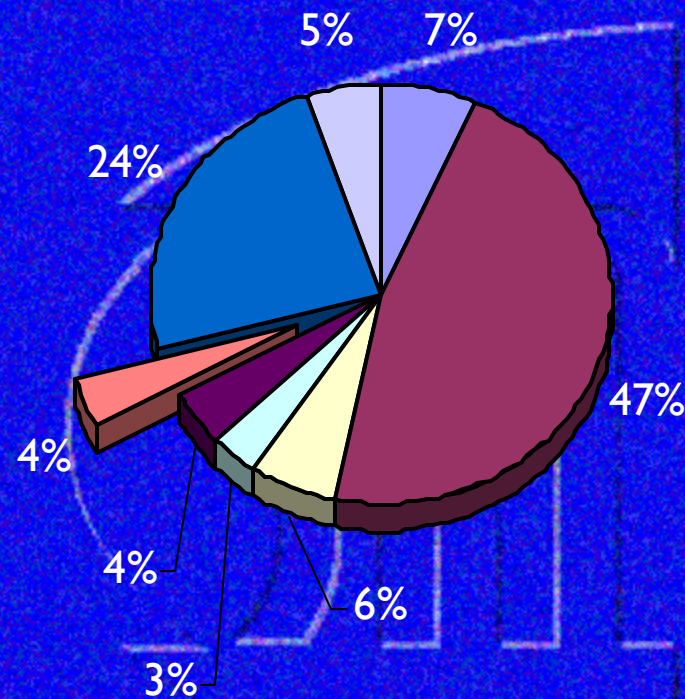
Any changes?



Industrialization

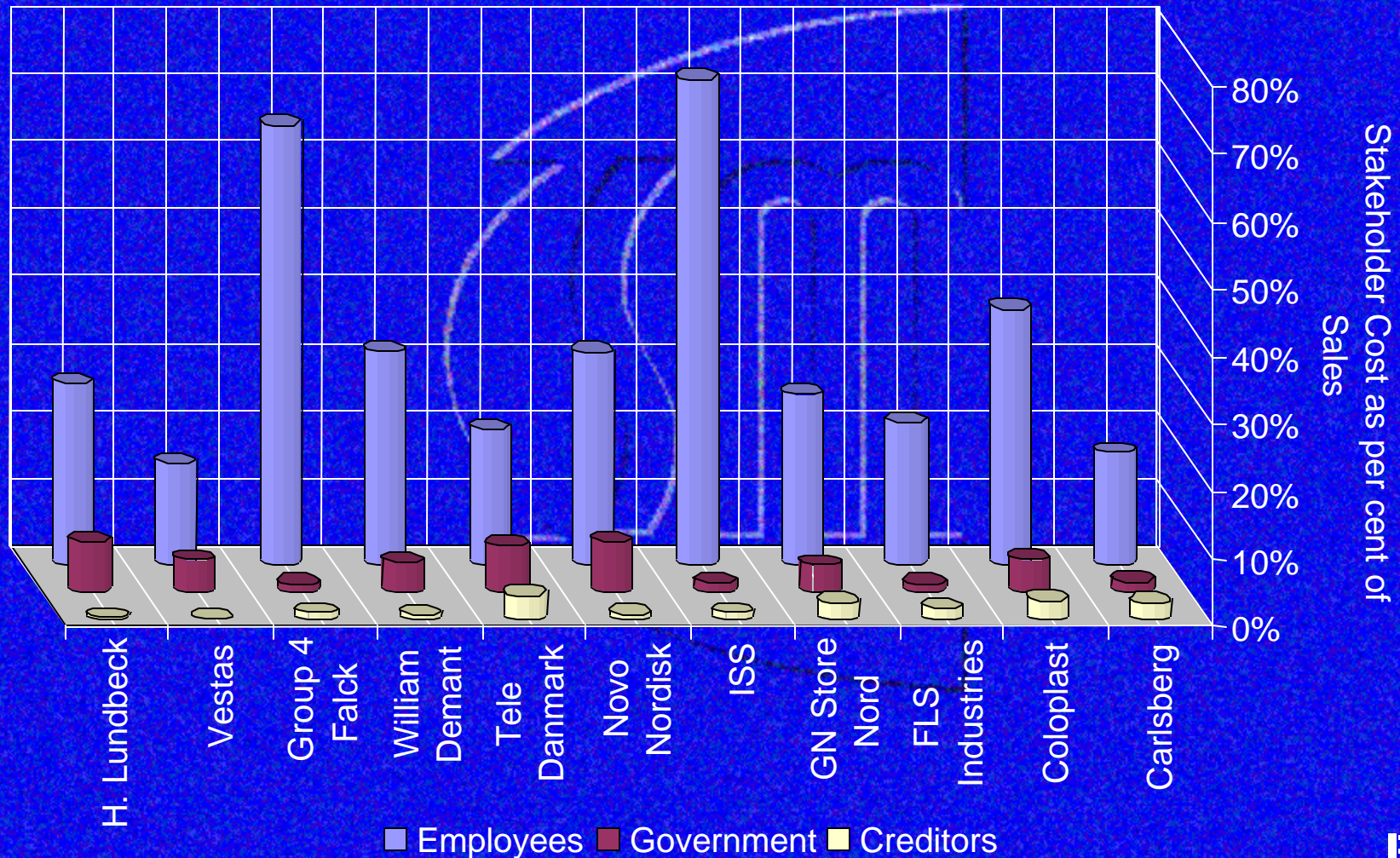


Microsoft's Assets! Assets?

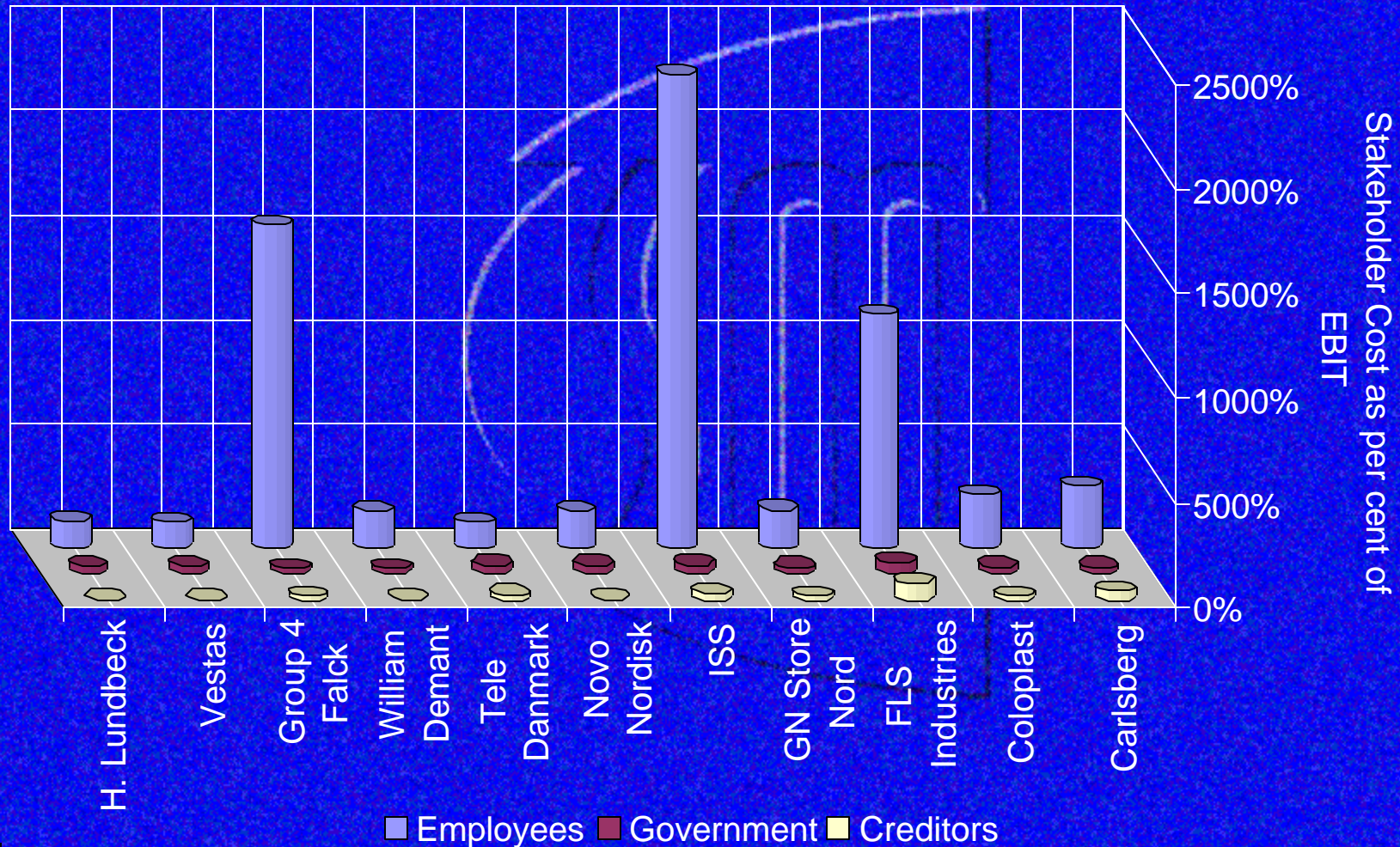


- Cash and equivalents
- Accounts receivable
- Other
- Equity and other investments
- Short-term investments
- Deferred income taxes
- Property and equipment, net
- Other assets

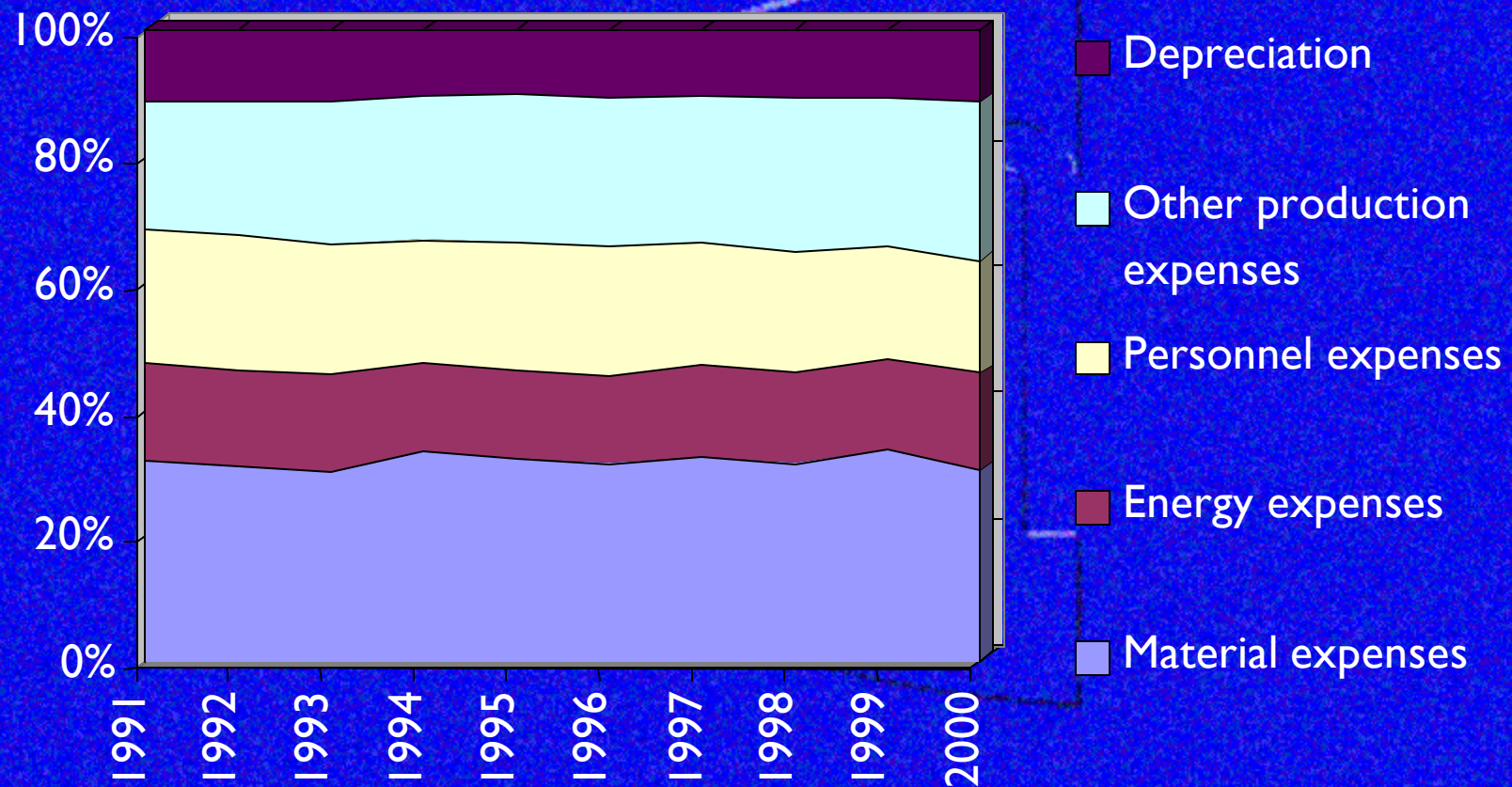
The Stakeholder Concept - A Concept only for Romantic Dreamers?



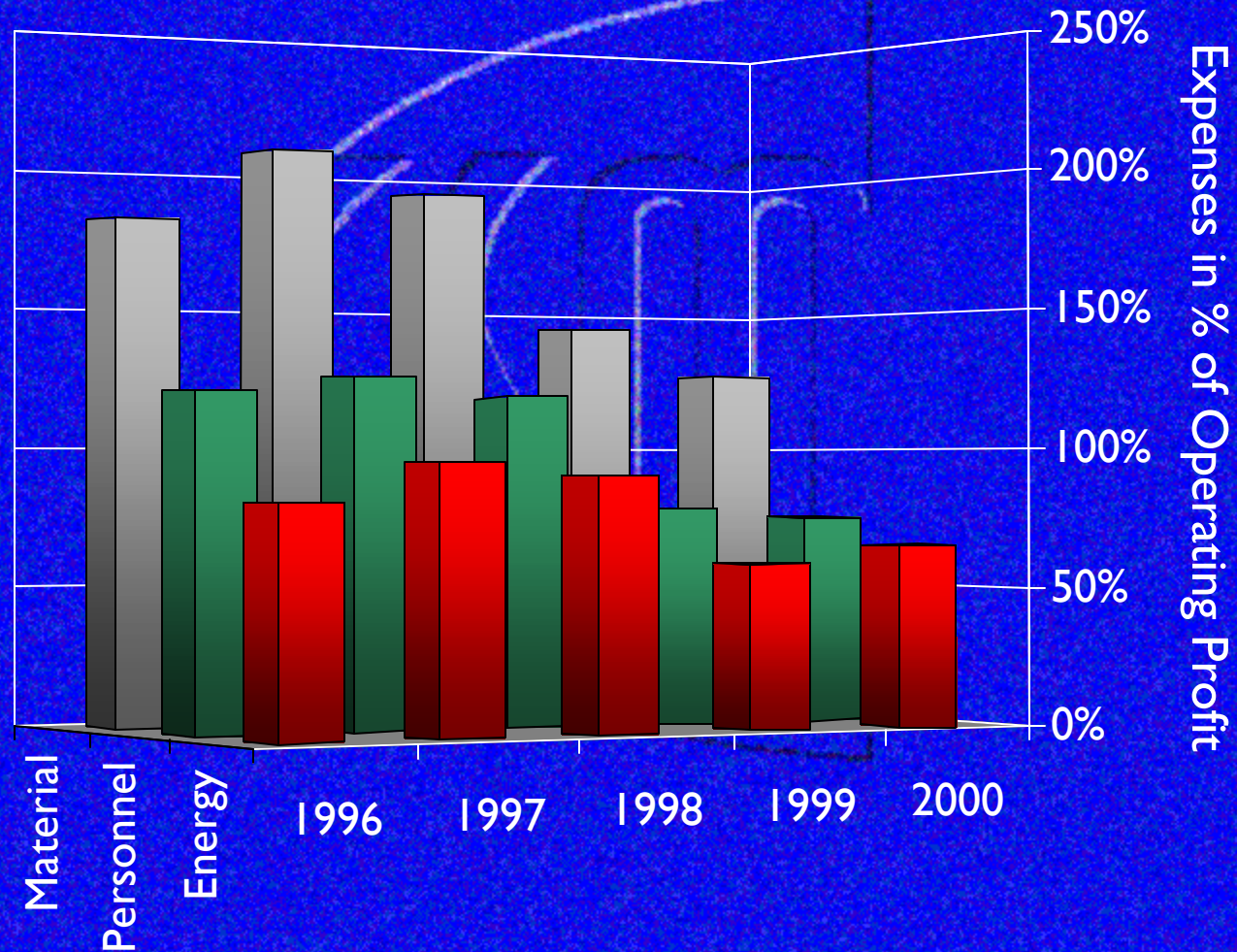
The Stakeholder Concept -A Concept only for Romantic Dreamers? (II)



Expenses at Holcim/Holderbank.



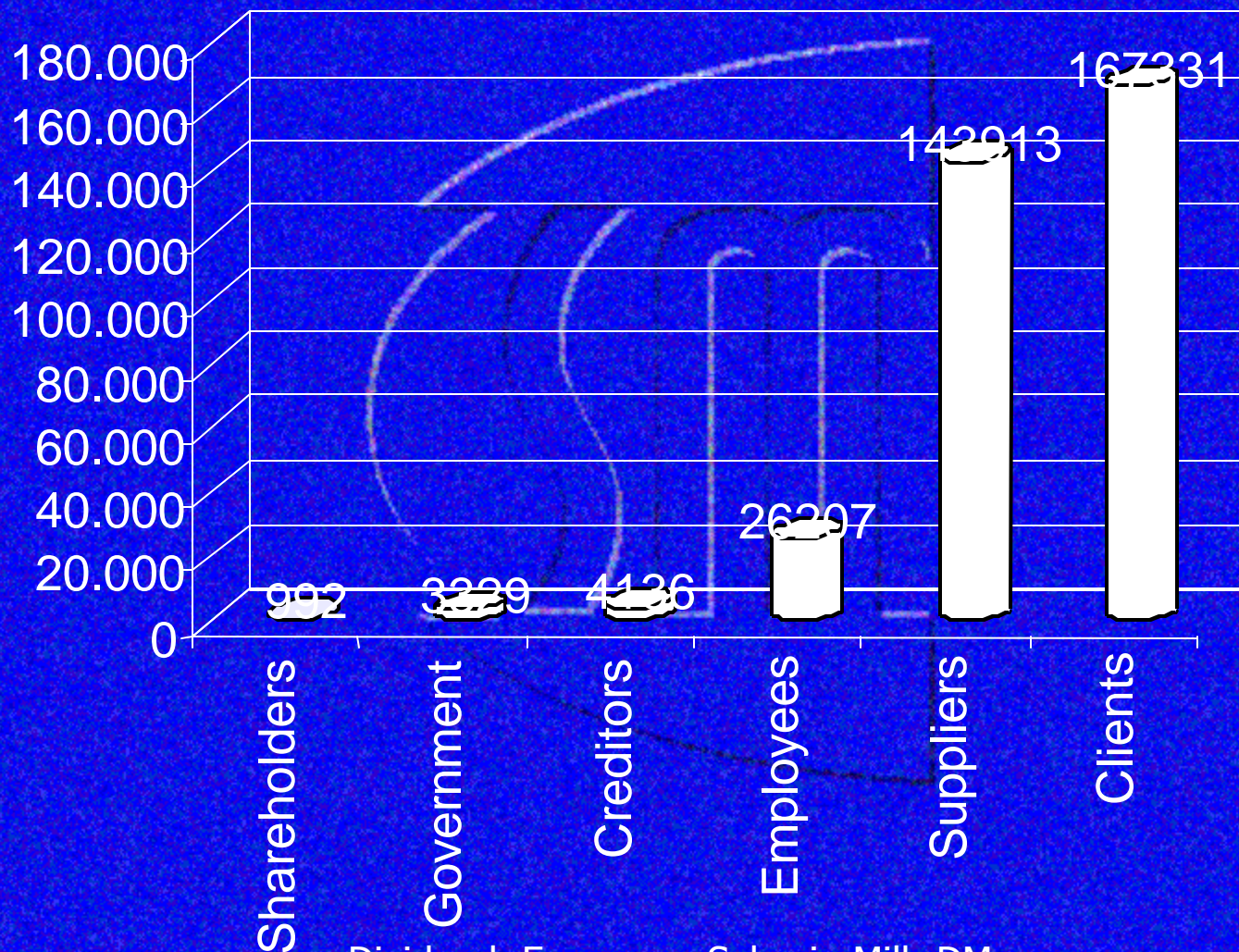
Eco- and Social-leverage at Holcim.



How can companies create value sustainably?

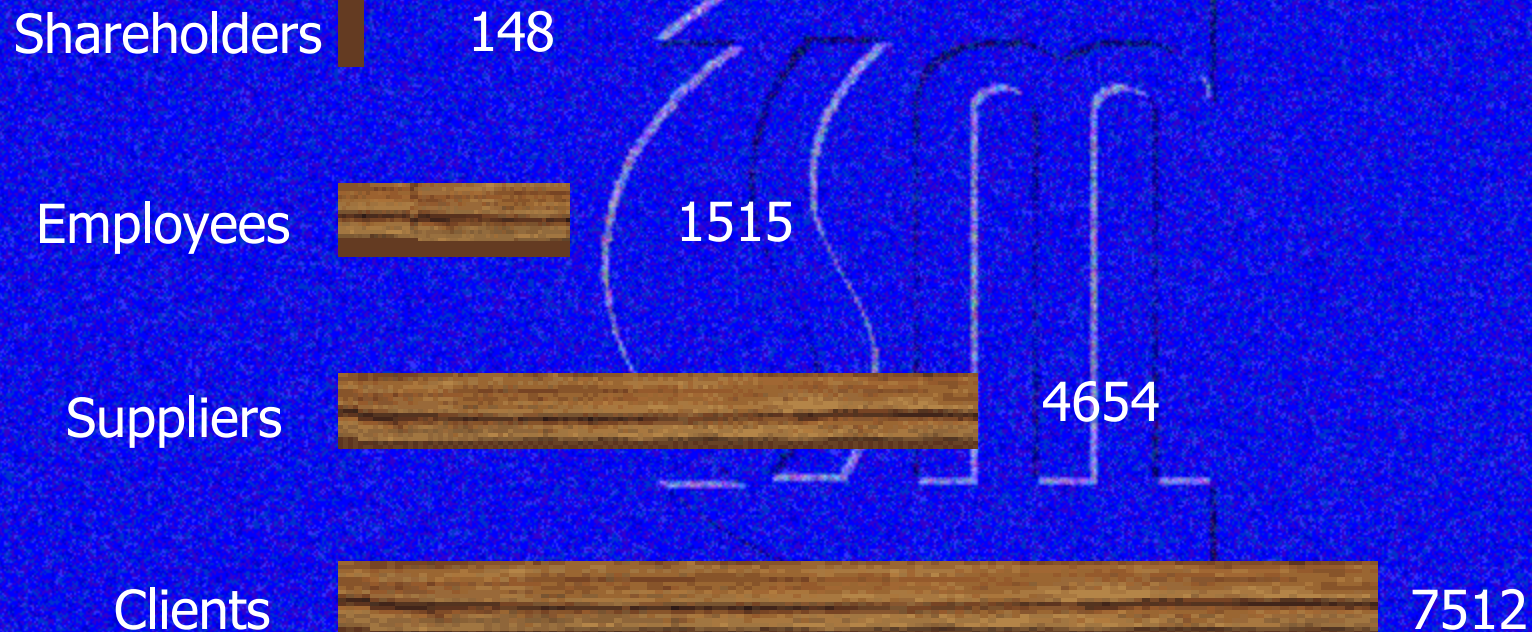
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Stakeholder Concept: Example VW.

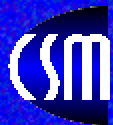


Dividend, Expenses, Sales in Mill. DM

Stakeholder Concept: Example SCA.



Dividends, Expenses, Sales in Mill. €



Why should Stakeholder Value be measured?

- Shareholder Value and Stakeholder Value are not identical.
- Dematerialization has led to a situation in which financial accounting and reporting gives less and less information about value creation.
- Social resources are limited – so are environmental and economic resources.
- The economic costs caused by stakeholders are in most cases many times more important than the capital costs.
- If Employees are really the most important asset of a company – why is not their value determined?
- Efficiency creates room for action. Room for action creates room for distribution. Room for distribution lessens distribution conflicts.

Can Stakeholder Value be measured?

- Shareholders are – just like Stakeholders – suppliers of Resources. Benefits and costs of the supplies are known.
- The necessary information is already on the table of the financial analysts.
- So are the valuation methods.
- The Stakeholder Value Added (SVA) can be calculated by applying the Economic Value Added (EVA) approach on Stakeholder relationships.

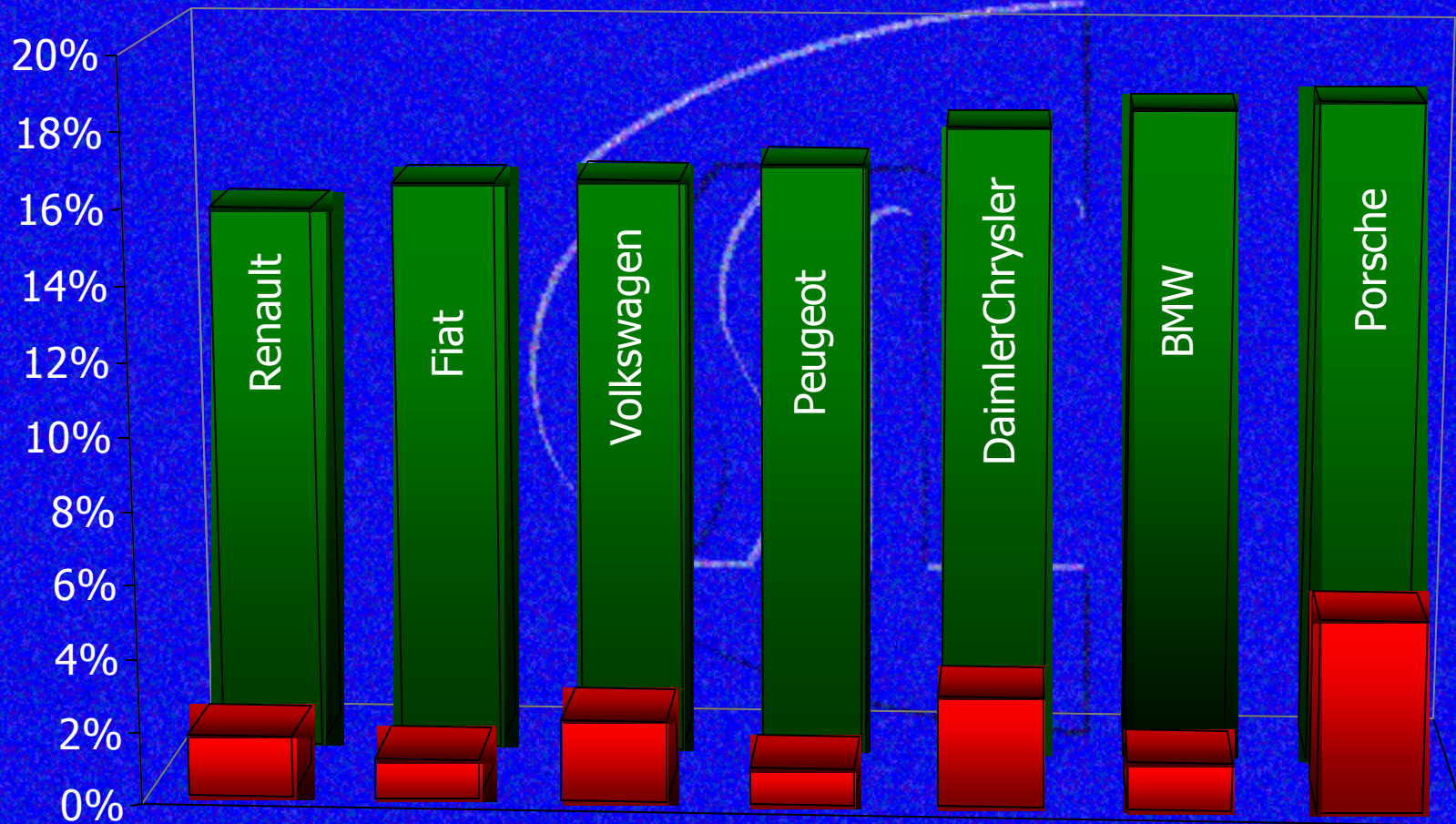
The traditional view: Stakeholders as Cost Drivers

	Volkswagen	DaimlerChrysler	BMW	Porsche
Sales	75.167	149.985	34.402	3.161
Stakeholder Costs				
- Employees	11.967	26.158	6.177	575
- Government	1.678	4.533	448	166
Stakeholder Costs as per cent of sales				
Employees	15,92%	17,44%	17,96%	18,19%
Government	2,23%	3,02%	1,30%	5,25%

All numbers in Mill. €. And for the year 1999

Sources: Estimates Direct, Annual Reports, own calculations.

Cost Drivers **Employees** and **Government?**



Expenses for employees and taxes 1999 as percentage of sales

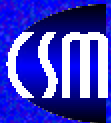
Sources: Estimates Direct, Annual Reports, own calculations

The Sustainable Value-View: Stakeholders as Value Drivers.

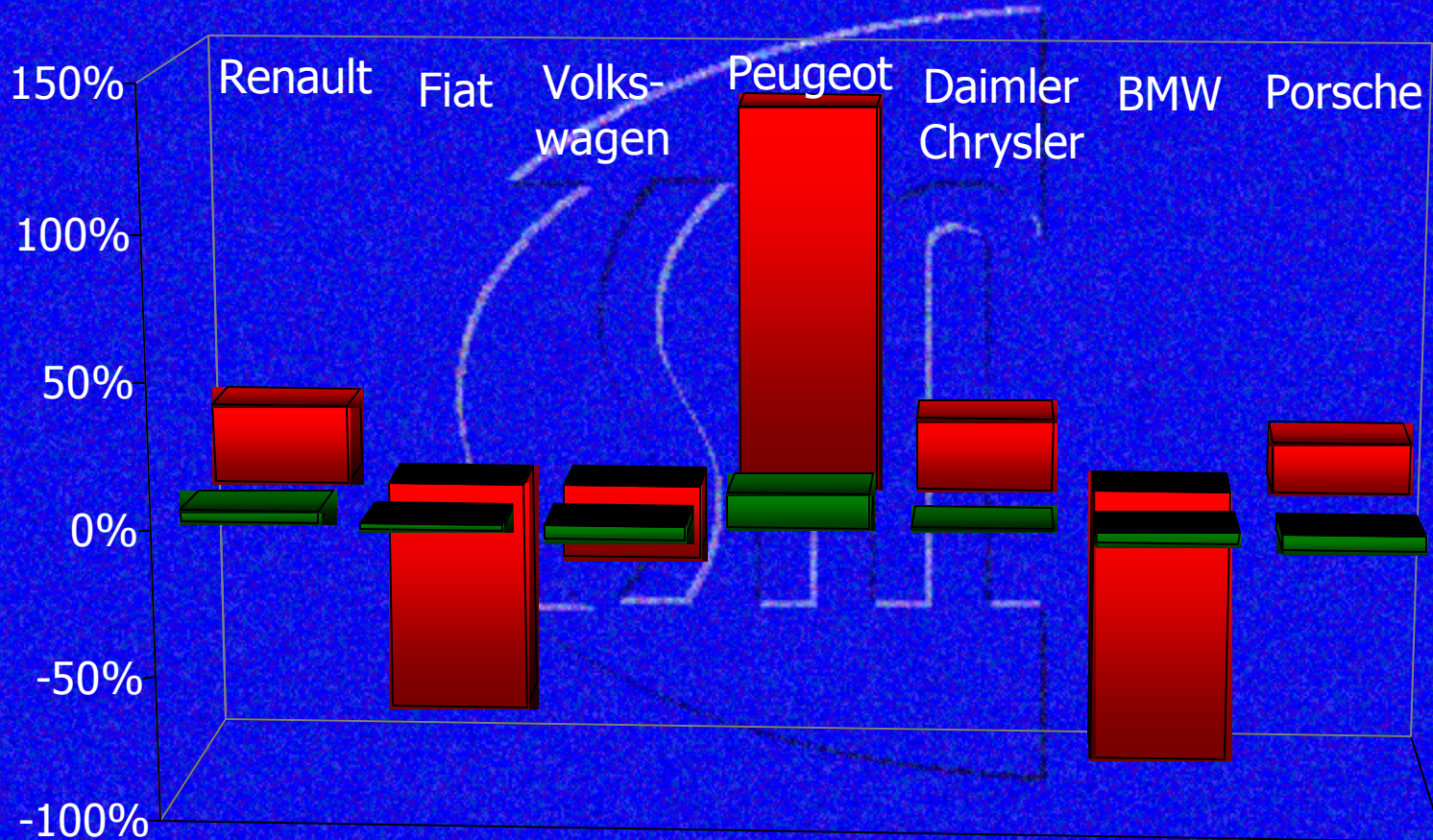
	Volkswagen	Daimler	Chrysler	BMW	Porsche	EURO-ø
Created Value	-1539,33	-1853,01		-725,66	-79,20	
Stakeholder Costs						
- Employees	11967,30	26158,00		6177,00	574,96	
- Government	1678,06	4533,00		448,00	165,89	
Return on Stakeholder						
- Return on Employees	-12,86%	-7,08%		-11,75%	-13,78%	-7,93%
- Return on Government	-91,73%	-40,88%		-161,98%	-47,74%	-65,71%
RoSt-Differential, Value Spread						
- Employees	-4,93%	0,85%		-3,81%	-5,84%	
- Government	-26,02%	24,83%		-96,27%	17,97%	
Stakeholder Value Added						
- Employee Value Added	-589,82	222,43		-235,57	-33,58	
- Governmental Value Added	-436,65	1125,71		-431,27	29,81	

All numbers in Mill. €. And for the year 1999.

Sources: Estimates Direct, annual reports, own calculations.



Value Drivers **Employees** and **Government!**



RoSt-Differential for employees und government 1999

Sources: Estimates Direct, annual reports, own calculations

Too different to be comparable?

	Shareholder-Resources	Stakeholder-Resources
Resources are ...	limited	
Resources are used to...	Create value	
The ratio of costs to benefits is called ...	Return on Capital, Return on Equity etc.	RoSt = Return on Stakeholder
Value is created whenever ...	The resource creates more value than market average	
The difference between the own return and the market average is called a	Value Spread	
The Value Spread shows ...	How much value was created per resource unit	

So what?

- The success of companies depends on their ability to manage scarcities. Environmental and social scarcities are part of the scarcities companies face.
- Prices signal scarcities and the Profit and Loss Accounts of companies give a clear signal: Stakeholder Resources are limited.
- If you can't distinguish expensive from unprofitable stakeholder relationships, you can't manage your stakeholder relationships efficiently.
- «Socio-romantic» and cost-oriented discussions of stakeholder relationships should be left to politics.
- Companies and Stakeholders can benefit from a value-based view on Stakeholder relationships.

More about Stakeholder Value Added.

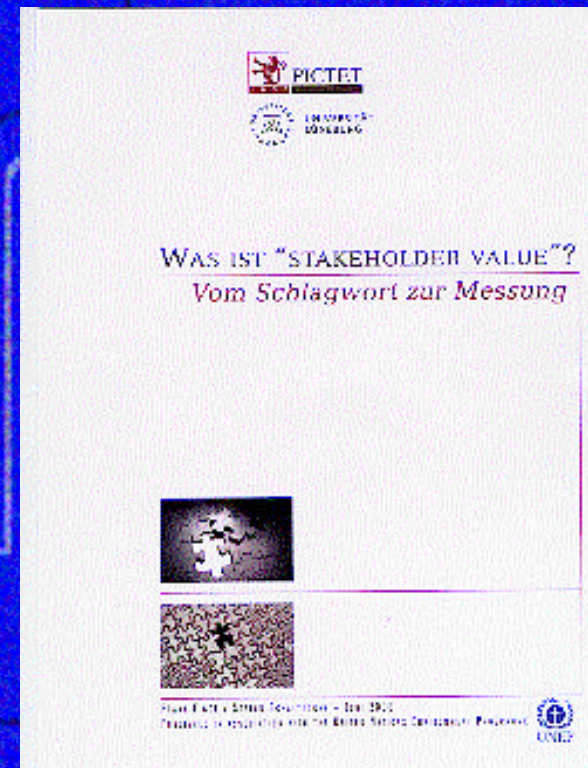
Articles:

Neue Zürcher Zeitung

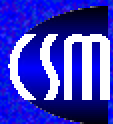
FINANCIAL TIMES
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Wirtschafts
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Report:



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