

Grow the Pie

What is a responsible business? Common wisdom is that it's one that sacrifices profit for social outcomes. But while it's crucial for companies to serve society, they also have a duty to generate profit for investors – savers, retirees and pension funds. Based on the highest-quality evidence and real-life examples spanning industries and countries, Alex Edmans shows that it's not an either-or choice – companies can create both profit and social value. The most successful companies don't target profit directly, but are driven by purpose – the desire to serve a societal need and contribute to human betterment. The book explains how to embed purpose into practice so that it's more than just a mission statement, and discusses the critical role of working collaboratively with a company's investors, employees and customers. Rigorous research also uncovers surprising results on how executive pay, shareholder activism and share buybacks can be used for the common good.

Alex Edmans is Professor of Finance at London Business School and a leading authority on reforming business to serve the common good – but using solutions based on rigorous evidence. He has spoken at Davos and in the UK House of Commons, and gave the TED talk 'What to Trust in a Post-Truth World' and the TEDx talk 'The Social Responsibility of Business'.

Advance Praise for *Grow the Pie*

‘I do not know whether capitalism is in crisis. But I do know Alex Edmans’s superb book makes the case, compellingly and comprehensively, for a radical rethink of how companies operate, and indeed why they exist. It is the definitive account of the analytical case for responsible business, but is at the same time practical and grounded in real business experience. It is a *tour de force*.’

—*Andy Haldane, Chief Economist, Bank of England*

‘This is an original and important book that will help transform how business sees itself – and how we see business. Alex Edmans, in his passionate advocacy of ‘Pieconomics’, challenges us all to adopt a mindset and unity of purpose in which all business actions contribute to pie-growing. The implications are radical and far-reaching. Read it: it will challenge how you think.’

—*Will Hutton, former editor-in-chief, The Observer, and author of The State We’re In*

‘Politicians are calling for large companies to be regulated or split up. In this compelling book, Alex Edmans argues that there is indeed a problem with corporate behaviour, but that the solution may be simpler: change corporate purpose so that companies focus on growing the pie rather than grabbing more of it. Edmans’s arguments are a powerful and persuasive antidote to much of the conventional wisdom about the corporate world.’

—*Oliver Hart, 2016 Nobel Laureate in Economics*

‘This is a brilliant and timely book, taking the business case for responsible capitalism to a whole new level. Edmans provides a rigorous, evidence-based approach, exploring numerous angles around how businesses can (and, as he shows, must) combine profit-seeking with purpose, as well as the role investors

and other stakeholders can play in driving a genuine win-win approach. He tackles counter-arguments head on and has the courage to expose examples of virtue-signalling that falsely discredit responsible businesses. Citing case studies collated over decades, it's a great read, too, offering fascinating examples well beyond the usual suspects. *Grow the Pie* really has the power to convince the sceptics as well as to encourage advocates to consider new ways to embed the approach further in their businesses.'

—*Dame Helena Morrissey, financier and founder of the 30% Club*

'Alex Edmans has produced rigorous evidence that the choice between people and profits is a false dichotomy. Now he makes his work accessible to a broader audience and explains how it's possible to overcome the trade-offs that hold so many leaders and companies back.'

—*Adam Grant, author of *Originals and Give* and
Take and host of the TED podcast *WorkLife**

'This is a must-read book for anyone interested in reforming capitalism – particularly in its role of serving wider society. The book is grounded in academic evidence, but the ideas are highly practical, and recognise the need for business to be profitable as well as purposeful. Most companies have inspiring mission statements; Edmans provides a concrete framework for translating them into actual practice. He does not shy away from acknowledging the challenges with running a purpose-driven company. Instead, he tackles them head-on, giving clear guidelines on how to navigate tough decisions, which he illustrates with powerful examples.'

—*Dominic Barton, former Global Managing Partner of McKinsey*

'In *Grow the Pie*, Alex Edmans has provided us with a valuable contribution to contemporary thinking about how business can be a force for good in society. I have long advocated seeing the mutuality of interests between business, the workforce, suppliers, communities, the government and other stakeholders, and Alex employs a solid evidence base to back up this belief so many of us intuitively share: that generating social value is good business. His thought-provoking, often contrarian, ideas are rigorously logical, delving beneath the superficial analyses we often see, which assume correlation implies causation. And Alex's engaging storytelling brings the principles of "Pieconomics" to life with examples of prominent businesspeople – not just those who understand the benefits of growing the pie, but also those who don't.

I'm pleased to see this impressive piece of work come out at a time

when we in the business world need to raise our game in building trust with stakeholders. This means not just arguing for the benefits of business for society, but actually delivering on those benefits. It means an underlying shift in attitude away from “us versus them”, towards mutual efforts to grow and share the pie of business value.’

—*Sir James G. M. Wates, Chairman of Wates Group*

‘Alex Edmans provides robust evidence against the claim that businesses must choose between shareholder value and social responsibility. Although there are trade-offs, there is no single trade-off. What is good for shareholders can be good for society: evidence matters.’

—*Baroness Onora O’Neill, philosopher and former President of the British Academy*

‘Alex Edmans has done a great service to society by showing that business doesn’t have to be a zero-sum game if we focus more on growing the pie rather than maximising our slice of it. This is capitalism with a human face.’

—*Andrew Lo, MIT Sloan School of Management*

‘As someone who believes passionately in the power of business to contribute powerfully to the broader well-being of society, I’d thoroughly recommend this important, timely and evidence-rich book. For me, three things jump out from its pages: healthy businesses help to make healthy societies; business and society should see each other as partners, not adversaries; and it is an act of enlightened self-interest for business to be driven by its long-term social purpose, not short-term profit maximisation.’

—*Liv Garfield, CEO, Severn Trent*

‘Just as *Freakonomics* encouraged readers to look beyond the conventional wisdom that underlies many public policies, now Professor Alex Edmans introduces the concept of Pieconomics. In *Grow the Pie*, he challenges popular rhetoric that the free enterprise system is broadly detracting from society. Instead, through many and varied examples, he offers an alternate lens through which we can interpret what constitutes responsible business. In this thoroughly readable book, Edmans debunks mythologies about corporate behaviour and offers a new vocabulary by which we can have principled

discussions about the role of business in society. A “must-read” for leaders in government, business and the media that reports on both.’

—*Paula Rosput Reynolds, Director of GE, BP and BAE*

‘Contemporary discussion tends to focus on the exercise of power by investors, boards and executives, often involving confrontation and dispute. But while strong decisions will often be required and critically important to the success of a business, the overarching need is for the embedding of pervasive influence geared to the purpose of promoting long-term sustainable growth. A fundamental ingredient is the way in which shareholders discharge the obligations that inexorably go alongside their privilege and rights as owners. This book is a must-read for asset owners, fund managers and the boards and executives who lead business enterprise. It provides evidence-based analysis and guidance on how the influence of well-designed stewardship can yield benefit in terms of both financial returns for savers and investors and returns for all stakeholders in a way that benefits society as a whole.’

—*Sir David Walker, former Chairman of Barclays and Morgan Stanley International, author of the Walker Review*

‘This uplifting book provides powerful examples, as well as evidence, that socially responsible businesses generate even higher long-term profits than corporations focused on short-term profit maximisation. Value is created particularly in new-economy enterprises by employee purpose, creation of brand and reputation, which drives customer preference. The findings reflect my own real-world experiences of striving for business excellence across the global Life Sciences industry.’

—*David Pyott, former Chairman and CEO of Allergan*

‘Finance Professor Alex Edmans defines his purpose in life as “to use rigorous research to influence the practice of business”. This book, *Growing the Pie*, demonstrates his manifest success in fulfilling that purpose. Edmans mobilises evidence – not anecdotes – to make a case, both accessible and compelling, for policies and practices that increase the value available for all stakeholders, versus simply and simplistically maximising profit. Edmans’s critical contribution is to reframe arguments about business and capitalism from an all too prevalent short-term zero-sum game to collaborative games where, over time, all can benefit.’

—*Bill Janeway, Warburg Pincus*

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‘An important, thoughtful and timely book. The conflicts surrounding business, and its effects on society, are the subject of a heated debate. With clarity and insight, Alex Edmans makes a valuable contribution to this key debate. Anyone interested in this important subject would find much to learn from, or wrestle with, in this book.’

—*Lucian Bebchuk, Harvard Law School*



ALEX EDMANS

How Great Companies Deliver
Both Purpose and Profit

THE
PIE
GROW

The title 'THE PIE GROW' is rendered in large, white, bold, sans-serif capital letters with a slight drop shadow. The text is centered over a faint, light gray graphic of a globe with latitude and longitude lines. The words are stacked vertically: 'THE' on top, 'PIE' in the middle, and 'GROW' at the bottom.

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CONTENTS

Introduction 1

How to Read This Book 11

PART I WHY GROW THE PIE? INTRODUCING THE IDEA 13

- 1 The Pie-Growing Mentality
A New Approach to Business that Works for Both Investors and Society 15
- 2 Growing the Pie Doesn't Aim to Maximise Profits – But Often Does
Freeing a Company to Take More Investments, Ultimately Driving Its Success 38
- 3 Growing the Pie Doesn't Mean Growing the Enterprise
Three Principles to Guide Trade-Offs and Which Projects to Turn Down 58
- 4 Does Pieconomics Work?
Data – Not Wishful Thinking – Shows that Companies Can Both Do Good and Do Well 77

x / Contents

PART II WHAT GROWS THE PIE? EXPLORING THE EVIDENCE 97

- 5** Incentives
Rewarding Long-Term Value Creation While Deterring Short-Term Gaming 99
- 6** Stewardship
The Value of Engaged Investors that Both Support and Challenge Management 135
- 7** Repurchases
Investing with Restraint, Releasing Resources to Create Value Elsewhere in Society 166

PART III HOW TO GROW THE PIE? PUTTING IT INTO PRACTICE 185

- 8** Enterprises
The Power of Purpose and How to Make It Real 187
- 9** Investors
Turning Stewardship from a Policy into a Practice 225
- 10** Citizens
How Individuals Can Act and Shape Business, Rather than Be Acted Upon 246

PART IV THE BIGGER PICTURE 275

- 11** Growing the Pie More Widely
Win-Win Thinking at the National and Personal Levels 277

Conclusion 303

Action Items 307

Appendix 317

Acknowledgements 322

Endnotes 325

Index 358