What are the factors that could favor shareholders in profit-oriented non-quoted enterprises to support a shift toward a balanced mission people-planet-profit?

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WHAT ARE THE FACTORS THAT COULD FAVOR SHAREHOLDERS IN PROFIT-ORIENTED NON-QUOTED ENTERPRISES TO SUPPORT A SHIFT TOWARD A BALANCED MISSION PEOPLE-PLANET-PROFIT?

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Contents

Abbreviations

3BL/TBL	Triple Bottom Line
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
LCSA	Life Cycle Sustainability Assessment
LCT	Life Cycle Thinking
NGO	Non-Governmental Organization
SEAAR	Social and ethical accounting, auditing and reporting movement
SME	Small and Medium-sized Enterprise
TDL	Triple Depreciation Line
VSE	Very Small-sized Enterprise

Introduction

The main objective of this research is to discuss and explore the factors that could favor shareholders in profit-oriented non-quoted enterprises to support a shift toward a balanced mission people-planet-profit. More specifically, this thesis is to identify the factors that have a positive effect on shareholders' behavior towards companies willing to integrate social and environmental objectives into their business strategies.

For years, profit maximization for shareholders has been the corporation's only objective. In the past decades, organizations and their directors have been ever more creative to reduce costs and higher margins, often with few regards to the non-financial consequences of those decisions. Companies were praised as long as they were making huge profits regardless of the processes, often very questionable, put in place in order to achieve the results.

However, the climate crisis and the public interest for social practices have led to pointing out the current corporate practices. Companies are not expected to exclusively make profit and manufacture products anymore but also create a positive impact on the environment, its stakeholders and the society in general. They are real actors of the economy as a whole as they create employment, pay taxes, impact the environment, influence government, and have to act according to the importance of their influence on these various aspects. Pressure coming from society onto companies is increasing regarding environmental and ecological matters. Indeed, the climate emergency is pushing the different actors, either too small to have a large impact like citizens taking actions and adopting new habits on their individual level, or too complex, like government structures, to act quickly and slow down the degradation of the environment. Companies stand in between in terms of potential impact and power of action and are expected to act accordingly.

This profound change of mentalities has led to the rise of new currents of thought which depict a more holistic view of corporations' place in society. The Agency Theory aims to define the relationships between two entities, the agent, represents the other party, the principals, in day-to-day transactions. This concept is important to include within the scope of this research to get a clear comprehension of the relationship between the shareholders of a company and the management and their respective interests. The Agency Theory has evolved with the emergence of the stakeholder theory suggesting the inclusion of stakeholders' interests in the strategies of firms in order to achieve better corporate performance (Donaldson & Preston, 1995).

To assess corporate performance, tools and concepts have been developed. John Elkington developed in 1997 the people-planet-profit concept, also known as the Triple Bottom Line (TBL), which refers to an accounting framework based on three dimensions: social, environmental, economic. In common usage, the "bottom line" designates the profit or loss made by a company. The TBL expands this conception by bringing the social and environmental issues in the focus and enlarging the reporting framework that now takes the social and environmental performance into account in addition to the already well-established financial performance.

The three dimensions or "3Ps" can be developed as follow: First, "people" refers to the impact, whether positive or negative, a company or organization may have on its stakeholders including its clients, suppliers, employees and any other person being affected by the activities of the company; Second, "planet" designates the impact a company may have on its natural environment and the ecosystem which could be positive as active removal of waste, but also negative as deforesting zones; Third, "profit", which is often misinterpreted as it designates not only the financial aspects but the entire impact of the organization on the economy as wide as paying taxes, generating innovation or creating employment. Today, most companies operate on an exclusively profit-oriented model with little regard to the effects this single-focus model generates on other aspects including the economic aspect that is not only about profit or loss but the value the company brings to the society as mentioned previously.

Other concepts, such as Corporate Social Responsibility (CSR) or Environmental, Social, and Corporate Governance (ESG), along with reporting theories, have gained significance within companies operating under a traditional economic model that is solely profit-oriented. These concepts reflect the recognition that the current societal issues demand a different approach, acknowledging the responsibility of companies towards both society and the environment in which they operate. Social and environmental dimensions have become a key issue for businesses as the general awareness of the global issues at stake by major stakeholders such as consumers and investors has risen and become prevalent and cannot be overlooked anymore.

However, despite the recognition by the for-profit private sector of the need to invest in social and environmental dimensions and the willingness to integrate them into their business strategy, companies often face significant hurdles when incorporating these dimensions into their discussions, one of which can stem from shareholders. The most significant and most straightforward reason for this objection is the expectations for a negative impact on the profitability of the company: social and environmental initiatives are often regarded as secondary and harmful to the objective of profit. However, this statement is likely oversimplified, and the reality is often more complex, especially when the human factor comes into consideration. Consequently, it is important to identify and understand the factors which would convince the shareholders of profit-oriented enterprises to support a shift towards a more balanced mission people-planet-profit.

The existing literature has focused on the factors that favor the adoption of social and environmental dimensions in the strategy of large listed companies, but few studies have been conducted on non-quoted enterprises. This research aims to fill this gap by specifically examining the factors that influence the shareholders of non-quoted profit-oriented firms to support a shift towards a more balanced mission. The results of this thesis could help encourage for-profit private sector organizations and their owners to embark on a strategic transition, which could lead to a positive impact on society and the environment. In addition to that, the results of this research could also be useful for policy makers, non-governmental organizations, and managers of non-quoted enterprises, providing them with information on the factors that could positively influence shareholders to adopt behaviors conducive to a strategic transition of their company.

The nature of this exploratory research is to provide an overview of the factors influencing shareholders, with a greater focus on the factors encouraging shareholders to become drivers of the strategic transition of their company, although the hindrances and obstacles they encounter will also be addressed. Therefore, this research does not have a statistical purpose but rather aims to provide an initial overview of the reality.

This research work is structured as follows: in the first section, we will outline the theoretical framework of the study through a review of existing literature on the themes of the Agency Theory and the Stakeholder Theory, initially. Subsequently, we will delve into the concept of Triple Bottom Line and its evolution. Lastly, we will discuss SMEs and the specific management considerations related to them.

The second section will be dedicated to the presentation of empirical data. We will commence by detailing the methodology employed for this research along with its limitations. Subsequently, we will elaborate on the outcomes derived from the seven interviews conducted with the participants, and we will identify prevailing trends. Finally, we will connect these trends with theoretical concepts.

Part 1 : Literature review

1. The Agency Theory

An Agency relationship arises when one party, the agent, acts on behalf of another party, the principal. Agents and principals can be one person or a group of persons. All associations of people, such as public institutions, governments, corporations, non-profit organizations consist of individuals working together in order to achieve a common mission. To be able to function in an efficient way and achieve the goals set optimally, roles, tasks, responsibilities and prerogatives are assigned to different individuals. The assignment of roles in organization often leads to the delegation of responsibilities and individuals take decisions and act on behalf of others. In such a situation of management structure, the agent, the person or group of persons who actually performs the tasks works for the principal i.e. the person or group of persons assigning the tasks. The principal or principals hired the agent to perform a service on their behalf and by doing so, they delegate decision-making authority to the agent who gets compensation for bearing the responsibilities.

In business contexts, agents are often CEOs and the management and principals are the company's shareholders and owners of the company. The theory also applies to different scenarios than the shareholder-CEO situation such as an investor hiring a portfolio manager to manage their investments, a government hiring a contractor to build a road or any employer-employee relationship (Harris & Raviv, 1979). However, "the firm is not an individual", it's a network of contractual relationships that brings individuals, often with different objectives and wants, to collaborate on something productive (Jensen & Meckling, 1976.). Alchian and Demsetz (1972) and Jensen and Meckling (1976) viewed the firm as a set of contracts among factors of production but also as a team composed by self-interested individuals who realize that their future depends on the survival of the team in a context of competition with other teams. However, differences of opinion and differences in priorities and interests can arise due to the fact that humans are self-serving by nature. Divergences may emerge from these facts and the interests of a principal and the interests of an agent are always not always. Owners look for profit maximization. This leads to the Principal-Agent Problem which refers to the situation where an agent may act in a way that is contrary to the principal's best interests. Agents may also take advantage of the freedom they have been contractually granted to manage the business of their principals in a way unfavorable to them.

The rise of the Principal-Agent problem occurs due to different reasons, in addition to the inherent self-serving nature of individuals considered as the most substantial assumption about the Agency Theory. Firstly, the asymmetry of information, the fact that both parties do not possess the same information and are not able to access all the information. In most cases, the agent is in a position of strength and has more information about the task at hand than the principal. The agent may also be dishonest about his skills and abilities in order to be hired by the principal who is unable to verify the veracity of his statements before hiring the agent and offering the vacant position (Eisenhardt, 1989). Another source of conflict concerns the parties' risk-aversion and the incompatibility between the two parties' risk tolerance. In most situations, the agent is more reluctant to take risks. Considering the firm as a network of contracts, the agent is more likely to be risk-averse given the fact that he only owns on single contract and is not able to diversify his portfolio of contracts in the same manner as a shareholder may diversify his portfolio of investments (Eisenhardt, 1989).

Agency costs arise from these mismatches between the respective individual interests and risk aversion. The agency cost refers to the amount lost by the principals due to these divergences (Jensen & Meckling, 1976). In an effort to reduce the agency costs, principals have two possibilities. First, they can choose to invest in order to monitor the agent's actions and the amount spent by the principals is referred to as monitoring cost. Second, they can focus on increasing the agent's income as an incentive for the agent to act according to their interest and this spending is known as monitoring cost. Monitoring costs and bonding costs are in some cases not sufficient to eliminate all these discrepancies and the remaining conflicts are called residual loss. Thus, "the sum of the principal's monitoring expenditures, the agent's bonding expenditures, and any remaining residual loss are defined as the agency cost" (Hill and Jones, 1992).

1.1 Shareholder-based agency theory

The shareholders of a company are often regarded as the principals in agent-principal situations. As it was put forth by Milton Friedman (1962), the mission of the firm is to maximize the wealth of its shareholders. According to this perspective, the firm is responsible for its shareholders who are therefore considered as the firm's owners. This is due to the fact that shareholders have invested capital for the corporation to create wealth and, as a consequence, bear the greatest risk as they are the last to recover their investment in case of bankruptcy (Shankman, 1999.) This justifies, according to the property rights theory, that the firm must act in the interest of the shareholders. The principal-agent problem arises from the fact that the ownership of the company became separated from the management of the firm. Managers would bring specialized human capital to run the company on behalf of the shareholders able to raise the capital that managers were not able to raise on their own. Managers being hired by shareholders, they act on their behalf and are expected to make decisions that are in line with the shareholders' interests. However, given the assumptions of the self-serving qualities of individuals and the separation of beneficial ownership and executive decision-making, managers' sole purpose ought to be the maximization of the return on investment for the shareholders. However, the management's behavior may diverge from the profit-maximization ideal that guides the firm's operations in the shareholder theory viewpoint because of the rise of conflict of interest. This situation has the effect of creating agency costs, which go against the objective of maximizing profit for shareholders. According to the shareholder theory, solutions and mechanisms must be put in place in view to optimizing the minimization of those agency costs.

The shareholder-based agency theory has however been criticized in the existing literature. Shankman (1999) argues in his paper that some assumptions of the agency theory are not viable. Firstly, the hypothesis stating that wealth maximization represents the only interest of shareholders and, by extension, the managers, is too narrow. As human beings, shareholders and managers have other motivations than the sole interest for wealth. Jensen and Meckling (1994) stated that respect, power, norms, the environment and the welfare of others were sources of motivations for both parties. Shareholders also take other factors into account in their decision-making process regarding investments. Intrinsic values such as social justice, environment protection, fairness, loyalty and honesty but also attitudes, risk aversion are also important dimensions motivating shareholders in their investment decisions (Jansson and Biel, 2011).

Another limit regarding the agency theory concerns its assumption of the self-serving nature of individuals. The principal-agent relationship could not work if actors were behaving in pure self-interest (Shankman, 1999). The stewardship theory addresses the critic from a psychological and sociological approach and suggests seeing agents as stewards who enhance their satisfaction by prioritizing pro-organizational thoughts and maximizing corporate performance. Consequently, these agents are not solely driven by self-interest, but also possess an intrinsic motivation to act in the best interests of the company. As such, managers have a moral obligation to prioritize "doing the right thing" irrespective of its impact on the financial performance of the firm (Donaldson and Davis, 1991).

Another source of criticism toward the agency theory comes from its positioning regarding the theory of property rights. The shareholder-based agency theory argues that shareholders are considered as the owners of the firm given the fact that they provided the capital and accepted to bear the related risk. However, several parties bring different types of capital such as human capital brought by managers, debt capital provided by lenders and raw materials and inputs provided by suppliers. All the parties bear the risk of not getting paid in case of bankruptcy. By adopting this perspective, shareholders only provide one production factor to the firm and should therefore not be considered as the only owners of the corporation as they actually only own this very production factor (Fama, 1980).

1.2 Stakeholder theory

As a response to the criticism of the agency theory and more particularly the shareholder-based theory arguing that shareholders are the only owners of the firm, the stakeholder theory has been established. The argument supporting the fact that as capital contributor, shareholders owned all the properties rights has been countered by viewing shareholders as one production asset providers among others within the firm. Freeman (1984) defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Stakeholders may be internal to the firm by being directly contractually linked, or external to the firm. The first category refers to the owners, customers, employees, and suppliers and the second category to governments, competitors, consumer advocates, environmentalists, special interest groups, and the media. Therefore, he advised that managers must "take into account all of those groups and individuals that can affect, or are affected by, the accomplishment of the business enterprise" (Freeman, 1984).

The stakeholder theory is based on the managerial theories first developed by Freeman in 1984. After the publication of his book, many used his theories and broadened the research on the responsibilities of the firm regarding its stakeholders, which had been very complex and difficult to justify before. In addition to the definition proposed by Freeman, numerous definitions have been set forth to identify stakeholders but all models converge towards a similar concept: "stakeholders are not only affected by the firm but the firm also has an effect on its activities as well" (Shankman, 1999).

Donaldson et Preston (1995) formulated three distinct dimensions within the stakeholder theory: the instrumental aspect (how behavior affects performance), the descriptive aspect (how firms behave) and the normative aspect (how firms should behave).
Firstly, the instrumental stakeholder theory. According to the instrumental perspective, management's role is to find and achieve a balance between all stakeholders' interests. The theory examines the link between a proper and judicious balance of stakeholder interests and the survival of the firm and ultimately, the achievement of better corporate performance. It allows for the testing of the correlation between the management of stakeholders and the attainment of business goals (Caroll, 1989).
The second aspect in stakeholder theory is descriptive. From a descriptive perspective, the theory provides a language and the concepts to describe the corporation which is depicted as a network of competitive interests, each possessing intrinsic value for the firm (Donaldson et Preston, 1995).
Finally, the normative aspect of the stakeholder model is taking the perspective of underlying moral and philosophical principles according to which the corporation ought to function. It is based on the presumption that stakeholders have inherent value. Given their interest in the company and their inherent value, stakeholders have genuine stakes in corporate activities.

Shareholder theory and stakeholder theory do have convergences. Shareholder theory suggests taking stakeholders' interests into account when it leads to better corporate financial performances. However, according to the normative aspect of the stakeholder theory, stakeholders have inherent value for the firm and their interests must therefore be acknowledged by the corporation besides the effects on shareholders wealth maximization. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, because, absent this, these groups might withdraw their support for the firm.

However, it is possible to link the concepts of value maximization and stakeholder theory. Jensens (2002) argues in his enlightened shareholder theory that a firm balances the interests of all its stakeholders when it maximizes its long-term market value. According to Jensens, corporate performance should be measured based on long-term market value and not based on short-term financial performance. It is stated in his paper that the role of a corporation encompasses financial and social obligations as its core strategy, an important focus of which is placed on shareholders profit maximization. In contradiction to the enlightened shareholder theory, the shareholder theory encourages short-term financial performance in order to maximize shareholders wealth. Clarkson (1995b) suggests maximizing corporate social performance instead of corporate financial performance which by extension endorses the stakeholder theory.

Corporations function on the basis of division of work and delegation of responsibilities. The Agency theory was introduced to explain the interactions between principals and agents whose interests and risk aversion are not always in line. These divergences create agency costs which principals, who are responsible for these costs, try to minimize. Additional theories and mechanisms have been developed in view to reducing these costs, often related to managers and shareholders divergences in interests and risk tolerance, according to shareholder-based agency theory. However, recent literature has broadened the scope of the interests to be taken into account in such situations and suggest considering stakeholders' interests in addition to the traditional shareholder model. Other models were developed in response to the criticisms made towards the shareholder-based model, such as the stakeholder-based agency theory (Donaldson et Preston, 1995) or the enlightened shareholder model (Jensen 2002). These mechanisms supported the idea that better corporate performance and maximized return on investment for shareholders could be achieved by considering the interests of other parties rather than the sole interests of shareholders (Clarkson, 1995b).

2. The Triple Bottom Line

The conclusion of the first part of this literature review opened the reflection regarding the inclusion of stakeholders within corporate strategy in order to improve firms' social performance and maximize shareholders wealth.

However, the context has evolved and new constraints have risen. The scarcity of natural and environmental resources and the growing demand for raw materials from global supply chains have raised new concerns regarding the traditional business models of firms. Corporations are encouraged and expected to improve their business processes regarding their environmental but also social and economic performances. As the stakeholder theory suggests, the performance of a firm should be measured based on corporate social performance which encompasses financial performance, but also extra-financial performance. The financial performance relates to shareholders while the extra-financial dimensions relate to other stakeholders. Well-known accounting systems and techniques have been developed to assess financial performances of corporations such as profits analysis and stock return. However, tools and metrics used to evaluate extra-financial performances are traditionally less known and widespread.

In 1997 John Elkington published, *Cannibals with Forks - The Triple Bottom Line of 21st Century Business*. In this book, Elkington develops the "people-planet-profit" concept, also known as the Triple Bottom Line (TBL). The Triple Bottom Line refers to the economic prosperity, social justice and environmental quality generated or destroyed by business (Elkington, 1997). It consists of a framework of measurement, accounting, auditing and disclosure, and a model for understanding sustainable development (Elkington, 1997; Vanclay, 2004). The consulting firm SustainAbility, co-founded by John Elkington, gives two definitions to the term Triple Bottom Line. In its reductionist sense, the term "Triple Bottom Line" refers to an accounting framework for measuring and reporting corporate social performance. In a more holistic sense, the Triple Bottom Line is the set of values, issues, and processes necessary to create economic, social, and environmental value (Berland & Renaud, 2007; Milne & Gray, 2013; Vanclay, 2004). In common usage, the "bottom line" designates the profit or loss made by a company. The TBL expands this conception by bringing the social and environmental issues in the focus and enlarging the reporting framework that now takes the social and environmental performance into account in addition to the already well-established financial performance. Elkington suggests measuring corporations' balance sheet but also evaluating its performance and comparing companies to one another based on the three dimensions.

The first dimension, the first "P", refers to the economic performance of a corporation, the "Profit". The economic performance refers to the impact of the organization's business practices on the economic system (Elkington, 1997), but also to the profitability of the company and the state of its finances. Within the balance sheet of the company, calculations are made by subtracting from the assets of the company the liabilities, reserves and other provisions of the liabilities to obtain the equity of a company. The capital of a company exists in different forms, capital can be financial or in built, such as buildings and equipment, but also human, individual skills or experience, or intellectual skills (Elkington, 1997). Calculating and monitoring the financial performance of a firm is a common practice adopted in most companies and many regulations regarding the financial reporting exist in many countries. Corporations are expected to publish their economic performances on a yearly basis and disclose their results. However, Elkington deplores the lack of sustainable dimensions in the calculation of financial results.

Besides the economic performance, Elkington adds a second dimension focussing on "People". This dimension is linked to the human capital of a firm which can be defined as the human factor in the organization; the aggregation of intelligence, expertise and skills of its workers who possess the ability to learn, change, innovate and trust (Bontis et al., 1999). Other characteristics of the human capital such as reliability and loyalty are factors that influence the long-run survival of the firm (Elkington, 1997). The social dimension also refers to the impact, whether positive or negative, a company or organization may have on its stakeholders. This makes reference to the previously developed stakeholder-based agency theory, the conclusion of which stated that stakeholders have intrinsic value for the firm and that taking stakeholders' interests into account when it leads to better corporate financial performances (Donaldson et Preston, 1995). Freeman (1984) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". This social dimension should also be reported by firms according to Elkington. The social axis is often associated with the term "Corporate Social Responsibility" (CSR). Many definitions of the concept have been put forward. Milton Friedman stated in 1962 that the only social responsibility of firms was to create profits for its shareholders. Edward Freeman redefined the concept in 1984 when developing the stakeholder theory emphasizing on the importance of including all stakeholders in corporate strategies given the impact the stakeholders have on the company's performance and the impact the company's performance and actions have on stakeholders. Besides, Joseph McGuire (1963) defined CSR as "the idea of social responsibilities supposes that the corporation not only has economic and legal obligations but also certain responsibilities to society which extend beyond those obligations". What is more, he added that corporations must take interest in politics, welfare, community, education, the well-being of their employees and in the whole social world (Carroll, 1999). Archie

Carroll (1979) published that “the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point”. The European Commission also published a vision of CSR which they consider as “the responsibility of enterprises for their impact on society” (European Commission, 2011). McWilliams et al. (2006) define CSR as “situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law”. The idea of social reporting is to assess the relationship between the corporation and its stakeholders, for instance, the education and professional training opportunities within the firm, the employment opportunities to persons with disabilities or in professional integration or the firm’s interest in charity. However, CSR and TBL are not analogous; CSR is a necessary but not sufficient condition for the implementation of sustainable development by companies (Brodhag, Gondran et Delchet, 2004).

The third dimension of the TBL refers to the “Planet” and environmental reporting. Elkington explains first its perception of the natural capital, of which he distinguishes two forms: critical natural capital, which is "essential to the maintenance of life and the integrity of the ecosystem” (1997, p. 79) and renewable or substitutable capital that can be renewed, repaired, substituted or replaced. The objective is to appreciate the impact of the business activity of a firm on its natural environment and ecosystems. Regulations regarding environmental reporting already existed in specific situations and sectors such as chemical discharges or soiled water discharges. According to Elkington (1997) the objective of a regulated environmental reporting system is not achieved. The author also mentions the need for new indicators and units of measurement in order to report the environmental performance of firms such as the lifecycle impact of a product.

The TBL concept gathers each of the three dimensions and suggests the elaboration of a reporting system which combines indicators related to environmental, social and financial performances and places an equal level of importance on each of the three lines. The triptych character of the Triple Bottom Line implicitly assumes the non-substitutability of the social, ecological and economic dimensions.

John Elkington’s triple bottom line framework has been adopted in the managerial world, governmental institutions, consulting groups, non-governmental organizations (NGOs), the investment industry and his work has been plebiscite by many CEOs, environmentalists and the media (Norman & MacDonald, 2004; et Robins, 2006). However, criticisms have been expressed and limits found in the scientific literature regarding Elkington’s accounting system.

Norman and MacDonald were some of the first to publish an article in response to Elkington’s work with “Getting to the bottom of the triple bottom line” in 2004. They argue in their paper that “What is sound about 3BL is not novel”” (Norman & MacDonald, 2004, pp. 247) and that “What is novel about 3BL is not sound” (Norman & MacDonald, 2004, pp. 249). The concept of the triple bottom line presents in fact nothing new and a portion of what is stated is nonsense. Norman & MacDonald state that the social dimension of the TBL is synonymous with “Corporate Social Responsibility '' (CSR) which already existed well long before. They also argue that the theory supporting the ethical and socially responsible management as a means for a firm to achieve higher and sustainable financial performance was already developed in the stakeholder approach (Freeman, 1984). It is also asserted that the emphasis on measurement and reporting made in the TBL was also another well-established practice spread by the social and ethical accounting, auditing and reporting (SEAAR) movement.

What is considered by the two authors as new is the importance given to the measurement and the reporting. In other words, the idea that firms have social and environmental bottom lines in the same manner as they have financial bottom lines. However, according to them, there is a lack of meaning in the term bottom line, since there is no established agreed-upon methodology for calculating the social and environmental dimensions in a similar way to the financial dimension, where a net sum is obtained by subtracting and adding data (Norman & MacDonald, 2004, pp. 249). Such a tool is not developed nor presented in Elklington's paper and the opponents of the concept agree to say that "it would be impossible to formulate a sound and relatively uncontroversial methodology to calculate a social bottom line" (Norman & MacDonald, 2004, pp. 249). Also, it is very easy to deliver a number related to the financial performance of a firm whereas it is not possible regarding social (environmental) performance since techniques to calculate accurately what is "good" and what is "bad" from a social (environmental) point of view do not exist. However, a balance sheet cannot be reduced to a net income figure, but must also take into account data such as cash flow or risk measures of investments (Pava, 2007). As a conclusion, Norman & MacDonald state that the appellation of bottom line is misleading given the fact that social or environmental net sum cannot be calculated and deplore the lack of rigor and objectivity in Triple Bottom Line accounting.

Two questions were raised from this conclusion, the first questioning the reasons behind the quick propagation of the idea and the second arguing on the potential risks associated with the use of a misleading term.

The rapid diffusion of the idea is explained by the intervention of environmentalists for whom the concept allowed to support their idea that social and environmental responsibility is at least as important as profitability in terms of corporate performance. In addition, the TBL opened new markets in the auditing and reporting sector which benefited the consulting (Norman & MacDonald, 2004). What is more, firms looking for improving their brand image deemed the TBL to be a convenient opportunity to attract new investors and new clients concerned by social and environmental matters. As a response to the second question, Norman and MacDonald affirm that the ambiguous appellation of the concept is in fact a cause of concern. The jargon of the TBL implies the existence of a rounded methodology for calculating a consequential and comparable social (environmental) bottom line in the same manner as a statement of net income, when in fact, such formulas are not presented. As a result, it is very easy for firms to make little effort and still claim that they are acting according to the TBL theory. Corporation's results cannot be precisely measured and compared to their competitors inside and outside their sector without a sound and common methodology for all. Therefore, it is not complicated for companies to communicate judiciously on their practices depending on which stakeholder they are addressing (Norman & MacDonald, 2004; Milne & Gray, 2013). The ability of companies to use Triple Bottom Line disclosure to legitimize themselves is deplored.

Norman and MacDonald conclude that the Triple Bottom Line was an unnecessary addition to the current discourse of corporate social responsibility and that it further facilitates hypocrisy and greenwashing.

3. Evolution of the TBL

After introducing the Triple Bottom Line concept, it is interesting to get an overview of other related theories among which are the double bottom line and the Quadruple Bottom Line. The idea of the Double Bottom Line is a business model that creates "enterprises that combine a social mission with a business engine - and refuse to compromise either front" (Sabeti, 2011). In 2006, B Lab was one of the first companies to provide the necessary framework for switching from a classic model where only the financial statement was published to another double bottom line model, including social responsibility. There is more than relying on the intent of firms to be ethical firms but also to submit proof of that commitment every year to external auditors (Wilburn & Wilburn, 2014). However, the concept has evolved and its creators endorse today the Quadruple Bottom Line model.

The Quadruple Bottom Line, uses the three pillars composing the TBL concept exposed by Elkington in addition to another dimension which can be, depending on the literature, cultural and spiritual or related to governance and progress. Regarding the cultural and spiritual dimension, this approach elucidates that sustainable development encompasses cultural continuity and development of cultural well-being. It ensures culture has fair consideration in all public policy. The New Zealand government has adopted this concept in consideration of its indigenous population, the Maori, and their welfare in the country (MacKeow, 2013, Spirit). The other vision of the fourth pillar relates to the governance and the belief that the other dimensions cannot be achieved without good governance practices oriented toward sustainable development (MacKeown, 2013). Often, the two axes are taken account of in the addition of a fourth "P" to the already existing "3Ps" and the expression becomes "People, Planet, Profit, Purpose". The idiom "purpose" encompasses the dimensions of culture and spirituality but also refers to governance and progress.

Another extension of the TBL was introduced by Rambaud and Richard (2015) as an alternative to the concept presented by Elkington. Their thoughts regarding the TBL align with the criticisms expressed by Norman and MacDonald, Robins and Milne and Gray in spite of the fact that they did not propose alternative solutions to the limits that they pointed out. Rambaud and Richard (2015) presented the Triple Depreciation Line (TDL) as a response to the TBL. The core Idea of the TDL model is the responsibility to preserve financial and nonfinancial forms of wealth and, consequently, to set aside sufficient funds to tangibly guarantee such preservation. As a result, it is possible to define a universal and "sustainable" income that corresponds to the true surplus and may be consumed without destroying the many forms of capital utilized. They base their theory on the principle of depreciation and propose to apply it to social capital and natural capital in order to maintain the resource in its current state.

Other non-financial evaluating tools have been developed. The Life Cycle Sustainability Assessment (LCSA) is the evaluation of a product's lifecycle which embeds the three dimensions of sustainable development, social, environmental and economic (Finkbeiner et al., 2010). The LCSA is considered as a tool to assess the three pillars of the TBL, when other methods do not take the social dimension within their scopes such as the Life Cycle Thinking concept (LCT), Carbon Footprint or Water Footprint approach, the Life Cycle Assessment (LCA), or, the Resource- and Eco-efficiency Assessment (Finkbeiner et al., 2010).

International standards have also been developed such as the environmental management related norms gathered within the scope of the ISO 14000 in order to frame the evaluation of products and services lifecycle from an environmental point of view.

4. Non-quoted enterprises and Small and Medium sized Enterprises

The scope of this research focuses on non-quoted enterprises which encompasses corporations none of whose shares, stock or debenture are listed on the official list of a stock exchange. Small and Medium-sized Enterprises (SMEs) are part of this category. However, the existence of a substantial body of research on the SMEs reflects the impossibility of the latter to be considered as a reduced model of a large company (Marchesnay et Julien 1987), it is therefore important to explore the concept. SMEs need specific managerial criteria, taking account of the high level of diversity among those firms in terms of size, sectors of activity, market opportunities and legal status (Marchesnay, 1991). Also, this diversity becomes clear when studying the survival and development of these companies: some SMEs disappear a few years after their creation whereas others grow and quickly reach a considerable size. Although, we know today that, taking into account mergers, changes of name or legal form, temporary closures etc., more than 40% of SMEs survive at least 5 years after their creation (Julien et al., 1998). Besides their complexity, it is important to define the concept of SMEs.

Wtterwulghe (1998) distinguishes two approaches when defining SMEs: the qualitative approach and the quantitative approach. The qualitative perspective is endorsed by several authors in the literature who based their thinking according to : the prominent role of the entrepreneur (Marchesnay and Julien, 1988); the management characterized by active participation of owners or part-owners in a personalized way, and not through the medium of a formalized management structure (Bolton, 1971); the low level of specialization of the management staff, the close relationship between the management and of the rest of the company, the lack of negotiating power regarding purchases and sales, strong integration into the local economic network, and difficulty in accessing capital (Woitrin 1966); and, the uncertain environment it faces, its evolution and innovation capacities (Wynarczyk et al., 2016b).
The second approach is of quantitative nature and refers to the staff headcount and the annual turnover or balance sheet total characterizing the company. The definition given by the European Commission in 1992 makes a distinction between very small enterprises composed of 0 to 9 employees, small enterprises composed of 10 to 99 employees and medium-sized enterprises amounting from 100 to 499 employees. However, definitions at sectoral level which relate to 'objective' measures of size - such as staff headcount, sales turnover, profitability and net worth - may mean that in some sectors all firms may be regarded as small, while in other sectors there are possibly no firms which are small (Storey, 1994).
The European Commission revised its definition and the criteria now request the corporations to employ less than 250 persons, reach a turnover not exceeding 40 million euros or an annual balance sheet of 27 million euros and whose shares or voting rights are not held to more than 25% by industrial and financial groups.

Given the specificity of SMEs characteristics, the management of such organizations differ from the management of big corporations (Marchesnay, 1991). In his article "The small and medium-sized enterprise: specific managerial?" published in 1991, Michel Marchesnay argues that every management system is fundamentally based on four different pillars: the goals system, the organizational system, the activity system and the environmental system. In spite of those facts, SMEs are also characterized by a specific governance. Many SMEs are governed by owners-managers or entrepreneurs while a minority of SMEs are run by external managers.

Research on entrepreneurship has shown many different profiles of entrepreneurs which can be classified into two categories of entrepreneurs (Julien et Marchesnay, 1990). The first type of entrepreneur is referred to as "PIG" (perenniality, independence, growth) [free translation]. This profile of entrepreneur is motivated by the accumulation of wealth and the perenniality of his company represents his first concern. For this reason, he seeks to remain independent and refuses external capital contributions. The growth of his company will be reactive, i.e. he will accept it only insofar as it does not threaten the perennity of the company and its independence. The second type of entrepreneur is called "GAP" (growth, autonomy, perenniality) [free translation] and favors a logic of entrepreneurial action and aims for strong growth. Although he wishes to retain decision-making autonomy, financial independence is of little concern and is not a major priority.

Another view of analysis is presented by Stanworth and Curran (1976) and offers to differentiate the craftsman from the classic entrepreneur and the manager. The craftsman's motivations come from the autonomy, the status and power provided by the role of business leader. His interests are more related to the survival of the company rather than to its growth. The classic entrepreneur besides also being interested by the privileges provided by the entrepreneurial function, shows greater financial interest. This characteristic makes it difficult for the entrepreneur to let his company grow, a necessary condition in view to generating greater profits, but also a risk of losing its personal power and control over the company. The last profile refers to the manager who is driven by the acknowledgement of his managerial skills which are a reflection of the rapid expansion and the great profitability of his company.

Another vision is presented by Carland et al. (1984) who decided to distinguish the owner-manager from the entrepreneur. According to the theory, the “SME owner” is the founder and manager of the company and his intention is to achieve personal objectives. The firm is created as an extension of his personality and is related to personal and familial needs and represented his major income source. On the other hand, the manager founds and runs a company with profits maximization and growth as key objectives. He is characterized by an innovative behavior and uses strategic management to formalize his objectives.

5. Shareholders

In the existing literature, researches regarding the impact of the implementation of balanced mission “people-planet-profit” and CSR practices exist and give results. The aim of this research is to approach the subject from the shareholders point of view and identify the factors that would positively influence them to encourage the implementation of social and environmental dimensions in the corporate strategy.

The first reason that would influence the shareholders is of financial nature. In the past years, researchers demonstrate that companies investing in and developing CSR practices outperform less socially responsible firms in terms of various accounting measures including return on investment (ROI), return on assets (ROA), and return on sales (ROS) (Cochran & Wood, 1984; Nehrt, 1996; Porter & van der Linde, 1995). However, Barnea et Rubin (2010) argue that the relation between CSR expenditure and firm value is non monotonic and concave and thus, the marginal effect of an additional investment in CSR expenditure must decrease shareholder wealth since there are no restrictions on the extent to which a company can allocate resources to its stakeholders. So, if shareholders’ profits maximization is the main objective of the firm, the level of CSR expenditure should be in line with this objective.

Barnea et Rubin (2010) also suggest that shareholders may be driven by other elements than pure profit maximization to invest in CSR. Among shareholders, a distinction is made between shareholders considered as insiders (corporate managers, directors and large blockholders who are affiliated to the firm) and the other shareholders non-affiliated to the firm. The firm’s insiders might be motivated to elevate their expenditure on CSR beyond the point that optimizes firm value. This inclination arises from their personal satisfaction, akin to experiencing a "warm glow," derived from achieving a higher CSR performance for their respective companies. The concept of "warm glow" refers to a psychological feeling of satisfaction or happiness that individuals experience when they engage in prosocial behavior or contribute to public goods (Andreoni, 1990). High level of CSR can enhance the reputation of affiliated shareholders who are deemed honourable, respectable, decent individuals as a consequence. CSR may be a source of conflict among shareholders as firm’s insiders benefit from higher CSR expenditure whereas non-affiliated-shareholders may disapprove this practice if it reduces firm value (Barnea et Rubin, 2010). In addition to this fact, the research argues that the composition of the company's capital can also impact the magnitude of a CSR conflict. In the framework of the agency theory, research has been carried out on the influence of debt on managerial decision-making that falls below optimal standards. Jensens (1986) argues in his cash flow approach that managers of cash-flow abundant companies were more likely to spend excessive resources in a less prudent manner and pursue projects that yield negative net present value. A solution in order to alleviate this possible conflict of interest between owners and managers is to increase leverage. When companies have substantial interest payments, the capacity of insiders to excessively invest in CSR is constrained since they have less cash available.

Part 2 : Empirical part

1. Methodology

In this section, we will outline our research choices and strategies, the field of analysis, the formation of the sample, the choice and development of the data collection tool, and the methods used to process the data.

1.1 Research choices and strategies

The research will be of qualitative nature as it is part of a rather comprehensive paradigm as described by Boutin (2000): it considers reality as a human construct. We deemed the use of this method adequate since qualitative research is particularly appropriate when the factors observed are subjective and therefore difficult to measure (Aubin-Auger et al., 2008). Qualitative research is also particularly relevant for work on management and has an objective to grasp the meaning of a phenomenon as it is perceived by the participants and the researcher in a dynamic of meaning co-construction (Imbert, 2010). Moreover, the purpose of qualitative analysis resides in the pursuit of reformulating, theorizing, or explicating practices (Muchielli, 1996). In fact, we have the ambition to understand the reality of shareholders and the factors influencing their decisions and behaviors towards the implementation of a balanced mission people-planet-profit within corporate strategy. We do not intend to establish statistics but to understand the underlying reasons behind their investment or disinterest for CSR approaches.

An initial step, initiated by observing the evolution of customs and practices within the business world and followed by an exploration through the study of various reference works has enabled us to identify the problematics within which the theme of our research is situated. The problematics of the shareholders is the perspective we have chosen to analyze the transition of firms toward a more balanced mission people-planet-profit. The theoretical avenues defined during our exploratory readings serve as the foundation for the analytical model of the phenomenon we aim to study: what are the elements that might encourage shareholders in profit-oriented unlisted companies to endorse a transition towards a mission that balances the 3 dimensions of people-planet-profit?

This research is of exploratory nature and aims to investigate the aforementioned problem. The aim of the research is not to provide statistical results but to provide a better understanding of the problem. We also decide to use an inductive approach. We have thus proceeded to gather data by conducting semi-structured interviews. We discussed with 7 individuals each working for different non-quoted enterprises and holding positions within the top management or being shareholders of their respective companies. Then, we proceeded to develop new patterns from our raw data.

1.2 The scope of analysis

We have decided, in the context of this research and with the aim of maximizing the diversification of data sources, to broaden the action field without adding restricting constraints and circumscribing the territory and targeting a specific geographic population. However, this research took place within companies headquartered in Belgium and France which was not our intention. It should be noted that this choice of approach was determined, among other things, by a non-negligible criterion highlighted by Van Campenhoudt et al. (2017), concerning the operating constraints, namely: the resources and time available. Indeed, we wished to optimize travel and the total duration of data collection in view of the limited time available to carry out this work.

On account of these considerations and in accordance with the participants preferences, most of this research has been carried out online. Also, two of the interviewees work in companies based abroad, the option of online calls was therefore an efficient alternative to face-to-face interviews.

1.3 The cross section

In order to gather the data, we aimed to create a sample that is not strictly representative but rather characteristic of the population (Van Campenhoudt et al., 2017). We made sure to diversify the profiles with the intention of collecting diverse and potentially contrasting information. Our intention was to reach companies of different sizes (SMEs and non-SMEs) and history (family-owned companies and others). The targeted profile of persons eligible for the interviews was very specific and given their positions, not easily accessible and available. In order to engage with our target audience, we conducted research to identify companies that meet the criteria of this study, namely, being non-quoted, profit-oriented and having embarked on a transition towards the incorporation of sustainable elements within their strategy.

Following the identification of eligible companies, we initiated contact through their websites. Subsequently, we reached out to 15 companies using the available contact channels on their websites. However, we did not receive any positive responses from these companies. This fact can be explained by the lack of time or the lack of interest of the targeted people in this research or simply the lack of visibility of our request due to the high volume of emails received through this. In addition to our company search efforts, we also utilized our personal network. As a result, we were able to acquire personal contact information and secure direct communication opportunities. Out of the 9 individuals personally contacted through recommendations, 7 responded positively to our interview request. So, out of the total 22 companies contacted, 7 agreed to participate in this research. However, this fact does not call into question the value of the research, or even its results despite our will to gather additional responses in order to enrich our database.

We were unable to achieve gender parity in our sample composition as only one woman responded to our call. So, 7 out of the 6 interviewees were men.

At the end of the seven interviews, we believe to have reached a certain level of saturation in the content of the responses, as the last interviewed individuals have scarcely contributed to what had been previously expressed (Van Campenhoudt, 2017).

As stipulated during the interviews, the identity of participants and their companies will remain anonymous given the fact that this information is not relevant for the research. The characteristics of the interviewees and their respective companies are described in the following:

- In terms of sizes, 1 company is a VSE, 1 is a SME and 5 others exceed the criteria established by the European Commission regarding SMEs which have been detailed in the previous sections.
- The headquarters of 2 corporations are based in France whereas the remaining 5 headquarters are located in Belgium.
- 3 companies operate at a global scale whereas the remaining 4 corporations operate at a national scale.
- Out of the 7 companies, 5 are family-owned among which 3 are also run by family members.
- The 7 interviewees are board members, 5 of which are CEOs and 6 of which are shareholders of their respective companies and only one person was not part of the executive committee.

- Regarding the composition of the shareholding of the company, 2 companies have public investors among their shareholders and 2 companies, private investors.

1.4 The collection of data

The data collection method used was semi-structured interviews. The semi-structured interview is neither entirely open-ended nor tightly constrained by a fixed set of specific questions (Van Campenhoudt et al., 2017). According to De Ketele and Roegiers (1996), the semi-structured interview allows for the exploration of various predetermined themes by the researcher, with the flexibility to adjust their order based on the interviewee's reactions. Furthermore, they suggest that the information gathered through these interviews is of good quality and can be collected within a reasonable timeframe, which justifies our choice of this tool for data collection. Another justification behind the utilization of this approach is the aim of acquiring the maximum amount of information feasible. Moreover, given that the subject matter pertained to individual traits and experiences within a relatively specific domain, it was imperative to steer the interview process strategically with the aim of procuring pertinent information and optimizing the allocation of speaking time. However, the objective was to leave enough freedom in the answers so as not to limit the data received and to allow spontaneous answers.

All interviews were conducted in French. Since all respondents were French speakers, we decided to formulate our questions in the participants' native language. We also justify this choice by our intention not to restrict the responses of the interviewees due to language barriers and to encourage spontaneous responses. However, since this work is written in English, all the quotations and excerpts of participants' speeches included in this paper are free translations.

Each interview started with an introduction to the context within which it is situated and the practical procedures regarding its progression. Agreement was also sought regarding the recording of the interviews, and we ensured the anonymity of participants.

Prior to embarking on data collection, we developed an interview guide, drawing upon the theoretical concepts. The interview guide is divided in thematics. First, the objective was to define the position of the interviewee within the company, to identify the link of his position to the management and the shareholders. Our intention was to acquire information regarding the implementation of the transition toward a more sustainable mission and the instigators of this transition. Afterwards, we aimed at understanding the reaction of the shareholders regarding the transitions and how the shareholding structure influenced it. We have also addressed the issue of non-financial reporting as well as the topic of the company's finances.

1.5 Limits of the research

The aim of this research is to analyze what are the factors that could favor shareholders in profit-oriented non-quoted enterprises to support a shift toward a people-planet-profit balanced mission. The scope of this thesis has been limited to the case of non-quoted companies. The main reason for this limitation regards the composition of the shareholder base which can be very diverse and spread out in the case of quoted companies. The identification of the shareholders would have been complicated and their implication in the definition of the corporate strategy not always relevant.

The scope of this research is also not defined in terms of geographic zones. The rationale for this decision is driven by the fact that acquiring data is already hindered by the limited accessibility of the individuals being targeted in the research: shareholders and individuals active in the strategy of firms. Adding a geographic limitation would have further restricted the number of eligible persons to be interviewed.

2. Empirical findings

2.1 Results

In this section, we will analyze the collected data. As discussed in the previous paragraphs, the data has been collected via semi-conducted interviews with 7 persons active in the corporate strategy of their respective company. These data have been organized into themes and sub-themes.

In the initial phase, we will explore the various types of transition triggering events and their diverse nature. Subsequently, we discuss the actors instigating the transition within companies. Lastly, we will discuss our findings related to the factors influencing shareholders and the transition process. In this section, we will first analyse the internal factors of the company, including the individuals comprising it, as well as the financial and market-related characteristics of the organization. Following this, we will delve into external factors, such as the socio-cultural and macroeconomic context in which the company operates, and other external elements, including the legal framework governing its activities.

2.1.1 ***Transition triggering events***

In this section, we focus on the way the seven interviewees perceived the integration of sustainable practices in the corporate strategy of their respective firms and the actors who instigated the transition. We deemed it interesting to ask the interviewees to describe the manner in which the transition towards a more balanced people-planet-profit mission was undertaken within the company, including the timing of the transition in the company's lifespan and the key actors driving the process.

Regarding the idea of a transition in itself, we observe a divergence in perceptions and two tendencies emerging from the narratives of the interviewees: some of the interviewees feel that there was no transition per se whereas others argued that the transition was triggered by particular events and contexts.

2.1.1.1 Not an actual transition

The idea that there was not an actual transition was very central in the discourses of most respondents who did not attribute a specific significant event as the catalyst for a transition. At first, it was challenging for the participants to describe the transition of their companies as they believe that sustainable practices have always been part of their company's strategy. However, throughout the course of the questions and as the thinking process of the participants progressed, more specific elements were mentioned which will be discussed in the following paragraphs.

We observed through the interviews that no company that underwent a transition was initially solely profit-oriented; all of them already incorporated sustainable dimensions into their strategy, even though they remained minor concerns. This fact explains the difficulty experienced by the respondents when it comes to describing a transitional period or a triggering event. As participant 1 states, sustainable practices have been part of the company's philosophy since its inception.

> *Participant 1 : "There hasn't really been any transition in the sense that I was saying earlier. Every time, we ask ourselves how we can do things in the best possible way, and so we've never been focused on pure profit, but we've always wanted to do things responsibly. We work with*

local players rather than bringing in things from China etc. Because it always seemed logical to us to do so. There hasn't really been any transition, any revolution."

Participant 2 argued in a similar manner and stated that many sustainable actions were already in place within the company but also added a dimension regarding the structure of these actions and their formalization. A strong need for better organization and management of existing practices was felt in most companies. This reorganization and formalization shed light on shortcomings and improvement opportunities, leading companies to enhance their sustainable practices and place them at the core of their corporate strategy.

Participant 2 : "So right from the start, you know, there were things set up around sustainability, but it was less structured, less organized. It was more like little actions here and little actions there, but we weren't starting from scratch. [...] So, to conclude, there hasn't really been a moment when we've said to ourselves "Oh dear, we've missed the boat. Come on, let's change everything from A to Z".

Like Participant 1 and Participant 2, participant 6 was unable to identify a specific turning point in the company's history that would explain a shift in strategy. He affirms that sustainability concerns have always been part of the company's mission.

Participant 6 : "And so, already in 2012, we had a number of environmental criteria in place in terms of company management. So, it's not something recent or a new concern."

2.1.1.2 Actual transition

Most participants initially claimed to be unable to identify a specific triggering event in the company's history, but as the interview questions progressed, some were able to identify such events. In contrast, other participants were able to effortlessly identify specific events in the life of the company that led to a transition toward sustainability. Those events can be of external or internal nature. We define external events as situations or trends related to the business environment over which the company has no control. Internal factors, on the other hand, are situations or trends specific to the company that has an influence on its management.

<u>External Events</u>

Regarding external events, several participants mentioned the COVID-19 crisis in 2020 as a triggering context for the transition towards the integration of sustainable practices. The specificity of the situation and its consequences led certain companies to question their way of operating, and this crisis was an opportune moment for such contemplation. We observed that these statements were made by individuals from SMEs and family-owned enterprises, with larger companies perceiving this crisis as less of an opportunity. Participant 6 explained that the pandemic played the role of an accelerator.

Participant 6 : "I mentioned 2012 earlier, so it started a while ago. Now it seems distant, so I don't think there were any specific events at that time. Certainly, the COVID-19 pandemic has accelerated things since it gave us the opportunity and forced us to rethink the way things used to work. Well, I think everyone says that crises like this accelerate change, so there was definitely an acceleration at that time. Um, that's for sure. But I don't see any other turning points."

Participant 5 also viewed the pandemic as a turning point but added other external factors and discussed a more complex context. In Belgium, the COVID pandemic of 2020 was followed by a series of destructive floods in July 2021 which caused great damage to some industrial infrastructures. The next year, an energy crisis occurred and inflation rates increased dramatically.

> *Participant 5 : "So in our company, there was [...] a favorable context, with the pandemic, the floods, the energy and prices crisis afterwards [...]. In our case, this environment was conducive and allowed drastic changes to happen."*

Internal Events

Interviewees also mentioned factors of internal nature as turning points for their transition. Five interviewees stated that the arrival of a new director within the management committee represented a defining moment in the life of their company and a defining moment triggering their transition.

> *Participant 1 : "The arrival of my wife who, after I met her, came to work with us, I believe, gave a real additional boost to it. So, she joined us to work with us and joined the management team, and she brought even more enthusiasm to it."*

Out of the five participants stating that the arrival of a new person within the directing committee was a triggering event, four interviewees stated that a change in CEO engaged the transition of their company. As it will be discussed further in this paper, the CEO of the firm is a key player in the transition.

> *Participant 3 : "Ah and yes yes, 1000 times yes, there was a transition. I took over the company with my sister at the end of 2015, we had decided to continue the adventure as a team of 2 without my 2 brothers and so here we are, we've been able to develop what Dad had created and what we wanted to do was build on what had been built, but also take current issues into account, knowing that on the environmental side, eco-design, the setting up of internal recycling channels within the group, etc. We've been able to continue the adventure."*

> *Participant 5 : "As in mathematics, I believe there is a necessary condition and several sufficient conditions. The necessary condition is to have someone within the company, in this case the CEO, who is prepared to take the huge risks involved in leading a transition: that's the necessary condition. So, I was ready to take those risks and I took the position of CEO."*

> *Participant 7 : "Then, well, we have a new CEO who is here, who arrived in 2018, and who was very strongly interested in these issues so again. So from that point, we got in line, it's quite natural that it happened, I would say."*

Another turning point was mentioned by Participant 5 and concerns the financial state of the firm. The company was going bankrupt and this situation pushed the management to make changes in the business model, given that the previous model proved to be non-viable.

> *Participant 5 : "In my company's case, the environment was propitious: at the end of 2018, the company was on the verge of bankruptcy, so profound changes had to be made."*

In addition to that, changes in structure of the company also represented for some firms a pivotal moment. We noticed that the need for more structure and formalization was mentioned in several testimonies as a decisive element in the establishment of their transition. Indeed, these companies were already taking initiatives in terms of sustainable practices, but in a disjointed manner.

> *Participant 2 : "But immediately, once we realized that our actions could be better structured, we realized that we could do more and that we could do it better, so there was development*

all the same. There was a real determination to make the whole thing grow, just like the company."

Finally, Participant 5 adds to the triggering factors of their transition the desire to create a business model that combines social aspects and economic value generation. According to him, the worlds of social organizations and profit-oriented organizations should evolve so that the latter no longer has to finance the former. The company's conviction is to be a firm with a social mission but with the ability to self-finance.

Participant 5 : "A mission-driven company, on the other hand, is social in nature, but self-financing. In fact, it's social work that must be sustainable [...] it doesn't matter, social workers are altruists and want to do good, except that the system as it is built is no good."

2.1.2 ***The transition instigators***

In the previous section, we discussed the events and contexts triggering the transition within companies. In the following paragraphs, we will focus on the individuals who initiated the transition and drove its development. Three types of actors identified as initiators of the transition were mentioned in the testimonies collected: the CEO, members of the management committee and the shareholders.

As previously mentioned, upon concluding our interviews, it is evident that the CEO assumes a pivotal role in driving the transition of companies towards sustainability. His role will be further analyzed in the next sections. A majority of interviewees illustrated this statement by mentioning that the actor that initiated the transition within their company was the CEO, the new CEO in the case of a change in person in charge, or the person that was already established at that position. In the situation of Participant 6, there was not a change in CEO but he was still at the origin of the transition.

Participant 6 : "I think it's me, as a company director, who has brought these considerations to the fore, and they come from a very, very long way in terms of personal awareness, so obviously I share this with my colleagues [...] I think it's mainly down to me."

In the case of Participant 5 and Participant 7, the new CEO instigated the transition within the company.

Participant 5 : "I'm the one who put the project, the major parameters, the major values of the project on the table. But obviously, the company, the team, appropriated them and made them their own."

Participant 7 : "We have a new CEO, since 2018 as I told you, who is also very sensitive to all these aspects, so once again, it's the internal aspects of the company."

Beyond the CEO, the management committee as a group can also serve as the driving force behind the strategic transition. In this case, it is not only the CEO as a person but the executive committee as a team that carried the project of implementing sustainable practices within the corporate strategy..

Participant 2 : "It's really management that sets the tempo, sets the budgets, sets the pace, etc., for implementing this type of action, all right. That's where it comes from."

Other potential drivers of the shift are the shareholders. As owners of the company, they can demand the modification of the company's strategic mission, especially towards sustainability.

Participant 7 : "With us, I think the impetus comes from the shareholder. Then it's a matter of execution".

As a conclusion, a strategic shift towards a more balanced mission can be achieved gradually without being considered a formal transition by the company. Most companies that underwent a transition did not start from scratch and had already implemented sustainable practices within their operations, even though these were disjointed and lacked formalization. However, the shift can be incentivized by one-off events of external or internal nature to the company such as the COVID pandemic or the arrival of a new director. In addition, the shift is also initiated by the impulsion of drivers which can be the CEO, the directors or the shareholders.

<table>
<tr><th colspan="3">Transition</th><th colspan="3">Instigators</th></tr>
<tr><th colspan="2">Actual transition</th><th>Not an actual transition</th><td>CEO</td><td>Management</td><td>Shareholders</td></tr>
<tr><th>External events</th><th>Internal events</th><td></td><td></td><td></td><td></td></tr>
<tr><td>Covid pandemic</td><td>Arrival of a new director/CEO</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Industrial infrastructures destruction</td><td>Firm's bankruptcy</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Need for more structure and formalization</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Belief that the current economical model is not in phase with the needs</td><td></td><td></td><td></td><td></td></tr>
</table>

Figure 1 : Potential triggers of strategic shift and potential instigators

2.1.3 ***Factors influencing shareholders***

The following section will discuss the factors influencing the company's shareholders to become drivers of the transition. The subject of this thesis focuses on the factors positively influencing the stance of shareholders in this context. However, we deemed it interesting and important to include the factors representing obstacles to this transition for the shareholders given that opinions were varied, and the discussions diverged, providing nuances on certain subjects.

The factors can be of different natures. Therefore, we decided to divide the factors into categories and subcategories. First, we decided to base our distinction on whether the information is related to the internal environment or the external environment of the company. The influencing factors related to the internal environment of the company were subdivided into two categories. We grouped the information concerning the individuals who make up the company, that is, the results related to the management of the company, the shareholders, or the employees, as well as the information directly related to the life of the company. Then, regarding the collected information pertaining to the external environment of the company, we distinguished those from the socio-cultural environment in which the company operates and the external factors.

2.1.3.1 The internal environment of the company

The individuals

Within this subsection, we observe three groups of actors : the management, the shareholders and the employees. The emphasis of this subsection is placed on the personal characteristics, personality, and intrinsic values of individuals. During the interviews, we observed that the human characteristics of the individuals were central to the discussions and played a crucial role in the transitions.

The management

We observe that many positively influencing factors are linked to the personalities and values of the CEO and members of the management committee. The most frequently mentioned factors during our interviews are the personal intrinsic values of executive committee members, as well as the degree of alignment of these values among the members. Indeed, the stronger the "people" and "planet" oriented personal values of each member and the more similar and shared these values are among the members of the management, the greater their influence on the shareholders and their stance on the subject will be.

> *Participant 2 : "So very clearly, and I can tell you about this from my own experience, it necessarily comes from management, i.e. if the management doesn't have a really deep-rooted will to do something, if there isn't a deep-rooted conviction on the part of management, it will never be followed by concrete action. [...] It is crucial that a belief in the importance of these issues on the part of executives in a personal way, as a being, and as a person apart from the shareholder do exist."*

> *Participant 3 : "After all, that's the way we've been brought up, we have values. It is thought that all bosses are bad people who pollute, who exploit, who don't take account of the environment in which they work etc - that's a slightly caricatured view of the situation- But, personally, we wanted to make this transition, we wanted to do things right."*

> *Participant 5 : "Because on your own, even as CEO, you're nothing if you don't have a team that is aligned and that wants to change things... that's it. So in our company, there was a team that was ready to shake things up."*

In addition to the intrinsic values of the CEO and the managing team, the fact that the directors as persons are directly linked to the image of the company is also a source of motivation for them. These individuals wish to be associated with a decent company known for taking care of its employees and respecting the environment, rather than the opposite. We noticed that this observation is particularly accurate in smaller-sized companies, in situations where the CEO is also a shareholder of the company, and when the company is family-owned.

> *Participant 1 : "Because these investments, in addition to aligning with our philosophy, also bring significant gains in terms of the firm's image. I think it is important to me and to the other persons giving a lot of time and energy into this company that it has a good image."*

Beyond the transference of the firm's image onto that of the directors, the directors also derive a certain personal satisfaction and pride to be affiliated to a committed firm.

> *Participant 2 : "We try to find the right balance between making a serious commitment and being profitable, because I'm pretty proud of everything we do. I'm quite proud to be in a company that's as committed as that."*

> *Participant 7 : "In fact, I'd say that we're proud, that we want to be proud of our company and proud of what our company does for the planet and for its employees."*

We noticed that this sense of pride and satisfaction, as well as the close connection between management and the company's image, were even more pronounced and stronger when dealing with a family-owned company.

Also, the directors derive a sense of personal satisfaction from the feeling of "doing the right thing". Considering the context, "the right thing" relates to what society deemed to be acceptable and decent in terms of decision-making regarding the protection of the environment, the well-being of the employees and the stakeholders of the company in general. Participant 4 brings a nuance to the previous statements by asserting that it is more of a moral duty to do "the right thing" rather than a pursuit of personal satisfaction.

> *Participant 4 : "At the same time, regarding the management, there was more of a vision of values and of what was the right thing to do in the light of what was happening and, above all, of the moral and ethical duty we have towards others.*"

In addition to that, the will and duty to provide quality goods to clients also represents a source of motivation. It can be achieved by foregoing potential revenues, particularly by selecting local suppliers, skilled labor, and high-quality raw materials.

> *Participant 6 : "So if price is the only criterion taken into account, it's a bit disastrous for everything, and we didn't want to do that, because we also have a duty to supply quality products. So I've always refused to go below a certain quality."*

Another consideration is the risk aversion of the management and the CEO. We have observed that this factor could serve as a catalyst when it was not predominant, but it could also act as an impediment when the management was more cautious and less adventurous. Hence, the low risk aversion and unwavering dedication of the CEO to the company and to the project represent a significant driving force.

> *Participant 5 : "The necessary condition is to have someone within the company, in this case the CEO, who is prepared to take huge risks to lead a transition. Because as soon as the CEO is afraid for his salary, afraid for his bonus, afraid that the shareholder won't be happy, that's it, we're dead, especially with what we've just been through with COVID, floods, inflation and all that. There are so many uncertainties that it's in your best interest not to get involved, and that encourages you not to take this additional risk, because in normal business you're already under pressure. So you need a CEO who is prepared to do it. And prepared to lose and get fired*."

> *Participant 3 : "We, the advocates of the transition, have a character of being developers, of questioning and renewing. However, there are people who may be afraid to invest. I mention this because, to me, it seems natural, but there are individuals who may be more cautious about investing, stepping outside the boundaries, or challenging a situation that does not seem to require reconsideration. And this fear acts as a significant obstacle."*

In addition, the degree of freedom of action the CEO also greatly influences the transition. If the CEO is driven by strong values, his degree of freedom of action and the progress of the strategic shift are positively correlated.

> *Participant 5 : "As a CEO, I had free hand, which enabled me to turn the company around in a year."*

Participant 5, however, brings a nuance to his statement and supports the idea that any form of extremism, including seeking to make everything sustainable without maintaining a critical approach and leaving room for arbitration could harm the company's business and could be detrimental to the project.

> *Participant 5 : "The significant challenge is that the transition requires arbitration. That's another thing. Extremists cannot handle it because, at some point, there are moments where one needs to make arbitrations."*

Another element concerns the proactivity and the open-mindness of the management. We observed that if the management is proactive in these areas, takes initiatives, and proposes projects, it will also promote the transition. However, to be able to be proactive, the management team has to be open to discussion on the issue of sustainability if they are not already moved by strong values.

> *Participant 7 : "We discuss sustainability and the strategy at least once a year with the Board. We still get regular updates on these elements from the Board, so, I would say it comes from management. Concrete initiatives do not come from the shareholders, at least not in our case. But the Board presents us with its ideas and we validate them."*

We have also observed that the desire to become an example for other companies was also an influential factor. There is a will to be pioneers and to be among the first companies to adopt a different but viable business model and, ultimately, prove that alternative models exist.

> *Participant 5 : "I'm not telling you that we're the best. That's not the point. We genuinely want this to work and the absolute purpose of all this is to set an example and show the world that another model can exist and that we can earn money, but above all, we have to distribute it differently and that all this can be a win-win for humanity."*

In another vein, we observed that the firm's growth created a need for structure and formalization in the company's activities. This need leads to an audit and inventory of the firm's activities, including the sustainable practices already in place. This work enables an account of what is being done but also highlights areas of uncertainty and opportunities for implementation.

> *Participant 2 : "Once it is structured, we realize that we can do more and better, and there has been development. There has been a real desire to grow the entire organization, just like the company. There are a few more people, and we need more framework to structure all the activities of the company, but at the same time, to structure our environmental, social, and societal commitments."*

We have identified another source of this need for formalization. Indeed, some companies, in their efforts to obtain certifications or labels, needed to formalize their practices. To be certified, numerous criteria must be met by the company. This process compels the company to formalize its practices and, as explained earlier, to account for what has been achieved and what remains to be done. Additionally, this approach provides clear objectives for the company to achieve and can potentially shed light on aspects that were previously overlooked by the firm.

Participant 7 : "In the short term, we look at all these labels and sometimes we say to ourselves, well, we don't necessarily need the label, but it reminds us that structure is key and beyond that, we can see what the label demands or requires, and see how we can start to move in that direction."

Nevertheless, we encountered varying opinions concerning the use of labels. In addition to the aforementioned arguments, it became evident that the lack of acknowledgment and promotion of such labels did not motivate companies to actively seek their acquisition. However, the pursuit of obtaining labels can be considered a favorable factor for the transition, as demonstrated earlier.

Participant 6 : "Then we decided to abandon this label because it no longer holds much interest. The reason is that it is not widely discussed, and the European Commission does not give much attention to it anymore."

Regarding the formalization of practices, we observed that a minority of companies engaged in non-financial reporting. Opinions on this matter vary, with some finding this practice useful for identifying all existing practices within the company, which can be considered a favorable factor for the reasons stated earlier. On the other hand, some believe it's better to focus energy on implementing actions. However, in general, non-financial reporting did not emerge as a central element of the strategic transition and it also appeared as a relatively new practice for companies.

Participant 1 : "And in terms of reporting, we don't have a comprehensive and independent report solely focused on that, we don't have an extensive ESG (Environmental, Social, Governance) reporting, but on the other hand, when we undertake an improvement project, yes, everything will be quantified in terms of what the gains are, what the improvements are if we change packaging, if we change packaging conditions, etc. So, we try to quantify as much as possible project by project; however, we don't really have a complete report focused on that aspect. I don't really see the purpose of it, we don't have much time for that."

However, we have observed that there are limitations related to the multitude of projects and the availability of human resources. Indeed, in terms of organizational and operational aspects whether it is for the management or the employees, implementing a strategic transition represents an additional workload, and it is not possible to indefinitely increase their workload. Time and human resources, therefore, pose a limitation.

Participant 3 : "Another criterion that comes into play is the multiplicity of projects and our capacity to manage all these projects: we cannot do everything. With my team, we are not capable of doing everything at the same time, so there are also human limits and organizational limits. Continuously investing, investing, investing, we cannot manage everything, it's not possible, we do not have expandable teams. We are limited by the HR aspect."

Furthermore, we identified that effective communication from the CEO and management towards shareholders and employees helped in implementing the strategic transition within the company. Indeed, taking the time to explain the reasons behind the company's inclusion of "people" and "planet" dimensions in its strategy and focusing on developing effective communication is a positively influencing factor in the transition. Communication is essential to ensure that the transition does not appear to be imposed on everyone. On the contrary, it is crucial that everyone feels involved and engaged in this change.

Participant 5 : "When it comes from the CEO, it follows the hierarchical structure, and you end up in an unsolvable loop. You are the one pushing for the change, and it has to be you, but at *the same time, since you represent the ultimate authority in the hierarchy, people resist and slow down because they feel it is being imposed on them. So, when I realized this, I stopped. I took a step back. And luckily, I met a communication coach with whom I felt very comfortable that things would work out. She took the lead on communication. We had meetings, and I didn't impose my thoughts on her. I shared what I wanted to convey, and we agreed on what she was comfortable with. When it was communicated to the teams, coming from her, everything went smoothly, something I had not been able to achieve."*

Another determinant of the transition that was observed is the company's governance structure. We observed that companies found that adopting participatory and more horizontal governance structures facilitated the transition within these organizations.

What is more, we identified the alignment of values between the management, the board members, the shareholders, and the employees as another influencing factor. The fact that the various stakeholders of the company share common ideals and values is a central element in the statements made by the participants, who affirm that this facilitates changes and enables a faster transition within the company.

Participant 7 : In my opinion, the most important factor is the alignment between management, board and shareholders. And employees. This is the major factor.

However, when the various stakeholders of the company are not aligned with this idea, differences of opinions can hinder the strategic transition. There is an obstacle for the management and the CEO when they do not hold shares in the company and are not shareholders. In such cases, when the management and ownership are separate, individuals who do not hold shares may face resistance from the shareholders who have the final say due to their property rights.

Participant 5 : "What is capitalism? It is the private ownership of the means of production, so if I am the owner of the company and I hold the capital, then what is the CEO's ownership stake? If the CEO is the majority shareholder, then there is no need for further context. The context of private ownership gives the CEO all the power, and they can manage their transition. In other cases, it is necessary to have shareholders who are also committed to the transition. However, if shareholders are not aligned with the transition, and the CEO does not have significant ownership in the company, then they can be ousted. As soon as the results decline, they can be dismissed."

<u>Shareholders</u>

We noticed that factors influencing the transition of companies and the role played by shareholders in it were directly linked to the shareholders. Similar to the management, we noticed that the fact that shareholders share common values is crucial. All the statements of the participants converge on this aspect, considered of major importance.

Participant 1 : "We're completely aligned regarding our values, so we're completely aligned with our desires, with how responsible we want to be, with how well we want to do things, so there's never been any conflict or disagreement about that."

Participant 2 : "There was basic agreement among the shareholders on the fact that we had to develop these kinds of themes, that we really had to develop these kinds of, how shall I say, social-environmental issues etc. This agreement played a major role."

Participant 4 : "It can be shareholders who, for their own value reasons, decide to make their company more sustainable."

Participant 6 : "We share values that bring us together. These values come from me but also from the other shareholders."

Participant 7 : "I think there are several important aspects. First of all, I think that shareholders, and in this case we're talking about family shareholders, but also non-family shareholders, need to be sensitive to sustainability issues. And in our family, in fact, we've been aware of this for a very long time. We are all aware of these issues and we all agree on them."

On the contrary, a lack of alignment due to disagreement among members of the management or the expression of reluctance by one of them can represent an obstacle.

Participant 2 : "Let's imagine that one of our shareholders is completely against the transition, because it could potentially reduce profits, for example. In that case, it will never work, there will always be obstacles, there will always be factors that will prevent us from fully implementing the initiative."

However, we observed that to avoid such conflicts, certain shareholders resort to a shareholder agreement in order to manage potential conflicts or redistribute decision-making power irrespective of the number of shares held by each party. We observed that this practice was more prevalent in companies where the CEO did not hold a majority of shares but wished to negotiate decision-making power. Another situation that we encountered and is conducive to the formulation of a shareholder agreement is one characterized by majority ownership held by a foreign investor.

Participant 3 : "So there is a shareholder agreement that exists mainly between the investor who holds 32% and my sister and me, who have 66%. There is a shareholder agreement that governs how the company should be managed, under what circumstances decisions can be made, what decisions can be taken, at what threshold we need the approval of the investor, what I can do with or without their agreement, and so on."

Another point of convergence with the elements related to management is the sense of pride felt by the shareholders and conferred by their affiliation with a company that takes social and environmental aspects seriously in its strategy. We detected that this sense of pride was even more intense, more heightened within family-owned enterprises. Shareholders of historically family-owned businesses, especially those involved in the generational succession of the company, feel a stronger sense of belonging and affiliation to the family firm, and take greater pride in its good reputation.

Participant 7 : "In fact, everyone understands the necessity of that, and I would say that we all think it is important for our children to one day take over the company. To take over and also be proud. Well, this is another aspect that, I would say, can be found in our values here; that we are all very proud of our company and of this family heritage, or our family history. In fact, I would say that we have this sense of pride, and we want to be proud of our company and be proud of what our company does for the planet and its employees."

We observed a new element in the respondents' statements, which is the long-term vision of the company by the shareholders and their interest in the future of the business. Indeed, if they are concerned about the firm's future and not limited to short-term horizons, they are more inclined to support a strategic transition oriented towards people and the planet. Similarly to the sense of pride felt through the association with the firm, the importance given to the future of the company is more pronounced within family-owned businesses' shareholders.

Participant 4 : "These are the advantages of having shareholders with a long-term vision. We can really execute a long-term vision. When you have a strategy on the long run you can say : "it's going to be difficult over the next 3 quarters, but just look at it, we're doing the right thing". By merely adopting a short-term vision, it becomes very challenging to implement a transition in the sense we are discussing."

Also, as previously mentioned in the paragraph dedicated to the management, the alignment of values between the management, the board members, the shareholders, and the employees is a very influential factor.

<u>Employees</u>

In the testimonies of the respondents, we observed determinants related to the employees of the company. The workers of a firm may in fact also have an impact on the shareholders' tendencies to become drivers of the transition towards a more balanced mission.

Firstly, a recurring element is the sharing of values among individuals. Similar to the management and shareholders, the sharing of common values among the employees of the company also appears to be a determining factor.

Participant 2 : "In our workforce, all our employees, all the people who make up the company, are attached to this kind of issue to varying degrees, so when we talk today about the search for meaning, it really exists."

Participant 7 : "So I'd say that internally, in the company itself, we have a lot of employees who are very sensitive to these issues [...] It's important that they find themselves in a company where these issues are paramount and with people who have the same principles."

Among the factors related to employees, we identified their degree of commitment to the firm. We observed that the more dedicated employees were to the company, the more inclined they were to accept and even support the company's transition.

Participant 2 : "But beyond that, there are commitments on the part of employees. [...] With the employees, we're going to do training on Saturday lunchtimes, Saturday mornings. As you can see, it's on our own time, but when we said to our nine employees, "The training is on Saturday morning", all of them answered: "No problem, we'd be delighted to do it. We're committed, we want to". [...] The people who help me set up all these actions are extremely involved. They're constantly on my back and want things to move forward quickly, to be put in place quickly, and at the same time, the people who are simply 'spectators', let's just say recipients of the measures, take them on, but at 200%. They're all very involved and very happy."

However, despite the employee's dedication to the firm, some of them may demonstrate reluctance to change. Convincing employees to adopt new behaviors and embrace new projects can be challenging, as it often involves breaking old habits and ingrained routines. Nevertheless, even though this trend is becoming less and less pronounced.

Participant 1 : "The first aspect concerns a barrier that is becoming less and less significant; it used to be an internal perception barrier. A few years ago, when we wanted to implement policies related to energy transition, the environment, etc., we could encounter certain resistance to change. However, nowadays, due to the evolving mindsets, whenever we *introduce something that is more eco-friendly, it is much better received both internally and by our clients, you know. So, this is the classic obstacle of "oh, it's less comfortable" or "it disrupts my habits."*

Participant 3 : "But I would say that this is like usual. Some people find it natural, some people don't understand, and some people may not understand but see that others are doing it, and it seems not bad. Everyone has a different attitude towards change. So, indeed, this can sometimes make things more complicated."

Furthermore, another factor related to the reluctance to change that employees in the company may exhibit is the lack of education among the staff on these issues. Indeed, the lack of sensitivity towards these problems by some individuals within the company can be explained by a lack of information and knowledge on the subject. This lack of education can also be a hindrance to the company's transition.

Participant 5 : "The objective was to open minds to new concepts, but at the same time, without any pretentiousness, I had a much longer head start because I had had time to contemplate the world while the teams had worked like crazy in a company on the verge of bankruptcy, facing difficult times. It was also necessary for me to gradually introduce all these ideas so that everyone could understand… Well, not everyone has the same level of awareness, and not everyone has the time. So we took the time to assist and guide them in their open-mindedness."

The last determinant identified during our interviews remains in parallel to the statements regarding management and shareholders, employees also feel a sense of pride stemming from their association with a company dedicated to these issues.

Participant 3 : "For me, it reinforces the feeling of "Wow, I'm proud to work for this company that has some great projects"."

In the testimonies, we observed that among the surveyed companies, one had become a mission-driven company. A mission-driven company is an enterprise that, in addition to its profit motive, pursues a social or environmental purpose. In this model of a commercial entity, the executives commit to fulfilling a specific mission as defined by its statutes. The company's executives, who are also shareholders, decided to take the transition one step further by incorporating the "P" for purpose into their strategic shift. We observed that deciding to become a mission-driven company required not only management's initiative but also significant employee involvement in the project. When becoming a mission-driven company, the governance structure evolves. Indeed, a mission committee must be established to ensure the proper execution of the mission. This committee brings together individuals from various backgrounds within the company, including members of the management as well as employees.

Participant 2 : "Indeed, I believe we are a good example in the sense that we became a mission-driven company in 2022. Our purpose is to transform our recruitments into societal commitments, meaning that our fundamental idea is that our company is not solely focused on making profit or conducting business, but rather aims to leverage its business operations to undertake actions and implement conditions that support sustainable growth and address the challenges faced by our society today."

<u>The firm</u>

This second subsection is dedicated to information related to the firm and, more specifically, to finance and the firm's marketing. We decided to subdivide this section in this way because, considering the statements made in the testimonials, we agreed that it was the most judicious way to gather the information. The human factor is less central in these discussions, even though it still remains an influencing factor given the very subject of this research.

<u>The firm's finance</u>

During the testimonies, we noticed that the financial health of the company was a factor that influenced shareholders to favor the transition. It is a subject on which opinions diverge. Firstly, it can be a factor positively influencing the shareholders. It was mentioned that transitioning towards a more balanced people-planet-profit mission led to indirect financial returns. In fact, investing in "people" has several positive financial consequences such as smaller staff turnover within the company. We noticed that companies made savings by investing in the well-being of their employees, particularly through minimal employee turnover.

> *Participant 1 : "I think that everyone values this more and more, whether it's employees looking for a meaningful job, a company with values, etc. So I'm convinced that it helps us to recruit and keep people with us for longer [...] I'm convinced that in the long term, it helps us and it will help to secure the long-term future of our company and to improve certain things."*

> *Participant 3 : "Some of the investments don't have a tangible intrinsic return, but obviously the well-being of the employees, the fact that they're not sick, the fact that there's no strike action, the fact that all that means that we've done things that show and make employees want to come back on a daily basis."*

Another source of indirect financial returns for the companies comes from a bigger and more loyal client base.

> *Participant 2 : "It's perhaps better to invest a few tens of thousands of euros in the transition [...] it's better than losing your best talents and just making less profit because you didn't want to invest a little on the issues that matter."*

Besides indirect financial savings, we observed that investing in the "planet" represents a source of financial savings. This is explained, in particular, by choices made in the production process. Mention was made of the use of the circular economy concept, which suggests repairing, renovating, and recycling existing materials for as long as possible to retain their value. Additionally, there is a parallel focus on reducing the use of raw materials and designing smaller packaging.

> *Participant 7 : "Once again, we've never considered that investing in sustainability would necessarily have a negative impact on our finances, on the contrary. In fact, I think that the concept of circular economy, for example in terms of products and their design, the fact that we can recover materials etc.. In fact, the idea at the outset wasn't necessarily to reduce the price of our products. The initial idea was not necessarily to reduce the price or cost of the cardboard we use, but just to become more sustainable. In the end, it's true that we've invested, but we're also getting returns. I don't think that's seen as a negative thing at all, on the contrary."*

In addition, it is also possible to make savings by reducing the energy consumption of the company.

> *Participant 1 : "There are things that will be very interesting and profitable for the company, such as improving our energy costs. These investments will reduce our bill. So it's a 100% win-win situation, both from a cost point of view and from a sustainable point of view, where you're being careful and you're also saving money."*

However, the vast majority of respondents concurred that this strategic shift represented a significant source of financial costs. These financial costs are perceived by them as the major obstacle to this transition. The survival of the firm is contingent upon refraining from excessive investment in sustainable initiatives, according to the respondents. It would even be counterproductive to act in such a manner. Indeed, the primary objective of a company is to be profitable in order to ensure its continuity. Additionally, the company cannot opt to invest if it does not have the necessary funds to do so.

> *Participant 1 : "There are certain decisions, certain projects, that, on the contrary, will increase costs and must be weighed in terms of their impact. One should remain coherent because we are not solely profit-driven, but an enterprise still needs to be a vehicle that creates value; otherwise, by incurring losses, it cannot sustain itself for long."*

> *Participant 2 : "The transformation of the company and the development, precisely, of the interest shown by the company in various societal and environmental issues, etc., clearly come with a cost which is not negligible. [...] The main objective of the company remains to make a profit."*

> *Participant 3 : "We must not forget one thing. I always say, we put all of this in place but it doesn't mean we are philanthropists. Despite all this, we must not forget that the economic aspect is and remains a determining factor in the management of a company."*

> *Participant 4 : "We must stay alive to change the world, right? If we go bankrupt or commit suicide out of despair, it solves one problem, but not the problem, you know. So we need to maintain the ability to fight another day tomorrow. And a company that is losing money is not just a matter of whether its shareholders are happy or not, it's a company that is losing money and can no longer invest. It can no longer pay its workers, and if it goes bankrupt, it still adds to the number of unemployed and so on."*

Continuing from the first paragraph, we noticed that another factor positively influencing the transition was the growth of the company due to the arrival of new employees and new clients.

> *Participant 2 : "There's also a global thinking in the company which is to say that if these issues interest the majority of the employees that we have with us and if we want to keep them, we have to take interests in theses issues too. That's why the company continues to grow, continues to make a profit."*

Another important observation is that companies that have undertaken a transition claim that this decision has allowed them to attract new investors. In our observation, engaging in sustainable practices is also seen as a sign of trust when applying for loans from banks.

> *Participant 3 : "If we don't tell our investor that we're going to speed up the movement we've started and that we're going to use our resources both financial and human to go even further along the road to sustainability that we've taken, he won't come back. That's also the reason why I think shareholders want to come in and invest - not always, but in part. [...] But more and more banks are paying attention to this too. Sometimes they can be very quick to resort to greenwashing, but I don't think that's the case with us. But I do think it's becoming an important criterion in today's decision-making."*

> *Participant 6 : "The investors have a general image of the company, which was obviously an important parameter for them. [...]. Now, the invests have always supported us when necessary. Did that contribute to their decision? I think it did. I think they'd find it harder to follow us and support us if we had the opposite attitude."*

Finally, we noticed that sometimes a specific financial context can represents a favorable factor. The case of a situation of bankruptcy and the need for recovery can be a conducive environment for change and, in our case, for a shift in strategy.

> *Participant 5 : "So I arrived in the company. Except that I arrived in what? In a company that was on the verge of bankruptcy and the shareholders didn't want the company to go bankrupt. So I was able to offer them a solution to turn the company around with the team within a year. But in return I was given a free hand*".

<u>The firm's marketing</u>

In this subcategory we gather the factors mentioned by the respondents related to the firm and its market. Firstly, we have identified the brand image and its positioning in the market as one of the influencing factors. Indeed, being able to position oneself as a company that takes into account the "people" and "planet" dimensions in addition to the profit dimension is a source of motivation for shareholders.

> *Participant 1 : "Well, it's going to cut energy costs, it's going to cut our costs. So it's a 100% win-win situation from both a cost and an image point of view. So that's cool. And then there's the other side where there are certain decisions that will actually increase costs but we're convinced that it's necessary and that it improves our image."*

> *Participant 2 : "When we're looking for a permanent contract or a trainee to join us for a few months, they're all blown away by everything we do. It actually gives the company a higher value and that's what we're looking for, so in reality, we're getting feedback. But it's more a return in terms of image than a real financial return. I think our employer brand is developing strongly and is being felt by people outside the company."*

> *Participant 3 : "The fact that we've gone from one name to another means that we wanted to anchor the group in a different strategy and assert our positioning in the eyes of our customers."*

Participant 5 brought an additional nuance related to the brand image, stating that it was very challenging for a company that had already positioned itself in a sustainable approach to "reverse" and go back on its principles once they had been communicated. This represents a positive influencing factor as the only alternative to continuing in this approach is to engage in greenwashing.

> *Participant 5 : "The company has gone so far that if we go backwards - imagine tomorrow they sack me, they sack the most outspoken people like me from the team - then what? We're no longer labelled, we're nothing at all. We're going to lose our legitimacy. The brand has shifted. So, I think that today, even someone who comes into a company with a 20th century mindset is obliged, so he may do some social and greenwashing, but he's obliged to do things because now we've turned the corner."*

Furthermore, we identified in the testimonies a need to be in line with today's mentalities, especially concerning customers, but also, as already mentioned, with employees. One of the objectives of the transition is to respond correctly and in a relevant manner to the evolving needs of customers and employees, who now demand more consideration for environmental and social issues. This pressure directly stems from the market and compels companies, if they wish to remain competitive, to align themselves with the needs of customers and in line with current issues.

Participant 1 : "From a customer point of view, our biggest objective as a company is customer satisfaction, and that's always been our primary objective. We have to have customers and we have to make them happy and then we try to make the company profitable. But to do that, we have to offer something that speaks to them and is in line with their expectations. [...] And then I think that with the evolution of mentalities lately, everything that's happened in the world etc… I think that everyone values that more and more."

Participant 3 : "Well, of course. The people who push us the most are our customers. Obviously, we have the opportunity to work with major groups. They push us, they force us, they ask us, they solicit us... They're also the driving force. They're the driving force because they have to, because they're convinced, because they want to, so they push us to find solutions. Obviously, this is one of the things that gets us moving and forces us to move in the direction of sustainability."

Participant 4 : "For example, customers may say "I've started a sustainability initiative myself and I want suppliers who are committed to the same sustainability approach" or "I'm measuring my carbon emissions as a company and I'm worried about reducing my carbon footprint in its entirety, so I'm also going to have to reduce my scope 3, i.e. the emissions of my suppliers, whether for transport, the supply of materials, etc.". So I may say to my suppliers, "Gentlemen, get your act together", but I want suppliers who are committed to reducing their carbon footprint within 5 years, otherwise I won't keep them. But if I'm in someone else's scope 3 company, well, it's the market telling me "you have to do something about sustainability, otherwise you'll lose your competitive edge"."

Nevertheless, client perception can represent an obstacle to change. Just like employees, customers have their habits and appreciate a certain comfort, and it can be challenging to introduce a new product in the market for these reasons.

Participant 1 : "Client perception can sometimes pose a challenge, I prefer using the word challenge than barrier. A few years ago, when we announced that we were switching to paper straws, we received reactions like, "Oh yes, but it's less convenient and it becomes soggy," "It's less comfortable"."

In addition, we observed that obstacles could arise from the supply chain of the company. Indeed, a certain coordination must exist between suppliers and customers when it comes to products. Despite a willingness to transition to more sustainable products or approaches, the lack of compatibility of materials or practices from suppliers or customers prevents changes from taking place.

Participant 1 : "And there, we faced a bit of a wall because, in fact, we wanted to switch to a more environmentally friendly gas, but the suppliers, the actors, were not yet equipped. So basically, we told them, "We would like to use this gas," but they were not aware of it. They were not aware, and then they inquired about it, but that gas was 10 times more expensive, so we had to go back to the previous one because it wasn't feasible downstream."

Finally, transitioning towards a mission oriented towards "people" and "planet" represents a means of differentiation in certain markets. Indeed, we observed that in public markets, positioning oneself in this way allowed for differentiation from competitors who primarily engage in a price war for public contracts. However, it remains complicated if buyers are not ready to change their priorities, it remains very difficult at present to win public contracts by differentiating oneself; the focus is still on the lowest-priced offer and the competition is intense.

Participant 6 : "But it's complicated to win public contracts if you're not the cheapest, because that's the main criterion. So one of the justifications for this change of strategy, irrespective of personal values, was to say to ourselves, well, we might be able to differentiate ourselves and win public contracts."

2.1.3.2 External environment

<u>Socio-cultural context</u>

Beyond the factors inherent to the firm and its individuals, factors from the external environment of the company also influence the motivation of shareholders to become drivers of the company's strategic transition. The company operates within a distinct environment and time period that exert influence on its operations. It is essential, therefore, to take these factors into account while formulating the company's strategy.

We observed that the socio-cultural context in which the company operates played a significant role in the transition. The first observation was related to the period of time in which the company exists. It is evident that the interest in environmental issues and social concerns was a generational matter. Indeed, we noticed through the testimonies that younger generations were more sensitive to these issues, making age an important influencing factor. This age-related sensitivity influences all stakeholders of the company, including management, shareholders, employees, and customers.

Participant 2 : "We see this today when we're looking for trainees [...] we've really realized that awareness of these issues is very high, particularly among younger people."

Participant 4 : "And can any company today reasonably hope to attract young graduates by saying "we're sitting on sustainability, we've got nothing to worry about?". I'm not sure that this message would be effective in any case. Your generation is probably much more aware of the situation than people who are 85 today. Yes, I'd say cynically, especially as those who are probably 85 won't have the unpleasant experience of living through the consequences of a possible major disruption; for you and me, it's already more tangible in my opinion."

In addition to these findings, we have noticed that the geographical location and regional influence of prevailing customs were also significant factors. Indeed, the cultural sensitivity to environmental and social issues varies greatly depending on different cultures and regions of the world. These differences in sensitivity, like generational differences, affect all individuals within the company, including members of the management, shareholders, employees, and customers. These differences can either facilitate or hinder the transition of companies, depending on the context.

Participant 3 : "Not all customers grow in the same way. They don't grow in the same way in every country. In every market, there are always those who are pioneers, those who follow and those who lag behind."

Participant 4 : "What's more, you have to realize that cultural sensitivity to sustainability is not the same in Western Europe, the United States, Black Africa, China or Chile. [...] What people feel about this is extremely different from one country to another. I think that in Europe we are more aware of these issues than in other parts of the world."

We identified in the testimonies that the scepticism or the deliberate refusal to believe or accept the information, despite evidence or facts suggesting otherwise, expressed by certain individuals, particularly regarding the existence of environmental or social issues, also represented a barrier to the strategic transition. This scepticism can originate from individuals within the company as well as external parties and can be attributed to a lack of information and education on the subject.

> *Participant 4 : "I believe that often, people who are hesitant are simply not adequately informed. There are still individuals today who are close to being climate sceptics. Scientifically, we have reached a stage where only bad faith or ignorance can lead someone to dismiss the evidence surrounding historical temperature records and the existence of environmental issues. It would require a significant visual or auditory impairment, or both, to deny the scientific consensus. Yet, some individuals still express doubts, which can be attributed to misinformation. Another source of scepticism is the deep underestimation of the magnitude of inequalities prevalent on this planet."*

External factors

Finally, the majority of the participants' statements mention legal obligations as a major influencing factor. Legal provisions are rules that cannot be bypassed, and every company is required to comply with them. Therefore, the legislator and its enforcement power represent a significant factor in the transition.

> *Participant 1 : "Well now, I think it's a legal obligation, but we did it before the legal obligation, just as we did with our suppliers. So if we hadn't done it, we would have been forced to do it at some point."*

> *Participant 2 : "In terms of legislation, there's actually a lot of support. There are incentives. For example, all large companies are now obliged to have a carbon footprint, and are supposed to respect gender equality in terms of salaries, jobs etc. Logically, it's in the law. So you see, we're being pushed to do it now."*

> *Participant 3 : "Once the regulations are in place, that's the way it is anyway. So it's not an obstacle. In fact, it forces you. Regulations give you the framework within which you have to evolve, they're the rules of the game [...]. In any case, the law applies to everyone. So I'd say they're sources of opportunity."*

> *Participant 4 : "There is a third external cause, which is the legislator. Legislators are nothing new. If you do a bit of archaeology in the history of industry, you'll see that environmental regulations in the sense of not polluting the ground around a factory or not polluting the atmosphere near your home, and so on, are not things that all companies have developed spontaneously. When we put a cost on negative externalities, we change the behavior of economic agents. [...] These are in fact restrictive legislative frameworks, in the sense that they hinder absolute freedom for companies, but they offer to guarantee a uniformity of behavior on certain issues. There are a whole series of legislative elements that have long been pushing companies towards sustainability."*

However, there are still divergent opinions regarding the influence of legal provisions. In certain cases, we observed that laws acted as barriers to sustainable initiatives.

> *Participant 3 : "We implemented solar panels where it was possible, but certain regulations prevented us from installing them everywhere, so we encountered obstacles in that regard."*

Furthermore, beyond the existing legal obligations, we identified lack of legal obligations as an obstacle to strategic shift of enterprises. The scarcity of the offer on some markets, high prices and poor supply coordination are consequences of this lack of legal constraints.

> *Participant 6 : "The legislation exists, but it is not very restrictive, which does not encourage undertaking this kind of initiative."*

We have also noted that the lack of a supranational and global legislative framework has impeded strategic shifts. This is because companies operating in different regions are not bound by the same regulations and constraints, resulting in some enterprises losing their comparative advantages against competitors operating in regions with less stringent laws.

> *Participant 4 : "We live in a fairly globalized world, and in many business sectors, especially when companies reach a certain size, the competition is not limited to the Flemish or the French. It's not even just other Europeans; it encompasses the entire world, including Asians, South Americans, and Americans. Therefore, we exist in a world without a central government. If the competition is global and I have to navigate through 150 different legislative environments, those operating in regions with less stringent regulations gain a competitive advantage purely in financial and economic terms. They can export their goods to my market with an advantage. This places those of us facing additional constraints at a disadvantage. Are we crazy to voluntarily add more constraints to ourselves?"*

Macroeconomic context

As we have seen in the section dedicated to transition triggering events, the macroeconomic situation in which the company operates has a significant influence that can be both positive and negative, given the subject of this research. Indeed, a specific macroeconomic context can motivate the company to embark on a strategic shift, but it can also serve as a significant obstacle to such a transition.

> *Participant 3 : "The macro environment of the company in question and the global macro environment. The COVID-19 pandemic emerged in 2020-2021. There was an energy crisis last year, and a crisis in raw materials. Despite all this, we continued to invest, but we couldn't invest as much as we had initially envisioned because we had to manage it prudently. So, we continued to take risks, but to a lesser extent than we had hoped, given the situation."*

2.1.4 **Conclusion**

Factors having a positive influence						
Internal environement					External environement	
Individuals			Firm		Socio-cultural context	External factors
Management	Shareholders	Employees	Finance	Firm's marketing		
Arrival of new board member	Shared values among all shareholders	High level of employee commitment	Financial savings	Client needs	Cultural sensibility	Legal obligations
Personal intrinsic values of executive committee members - shared values	Shareholder interest in the future of the firm, long term vision	Shared values among employees	Indirect financial return	Brand image	Generational matter	
Personal link with the company image	Perfect alignement of mangement-shareholders-administrators	Personal satisfaction and pride to be affiliated to a comitted firm	Firm's growth due to new staff and client	Need to be in line with today's mentalities		
Moral duty to do the right thing	Pride of being affiliated to the firm		Attrack new investors	Supply chain alignment		
Personnal satisfaction of "doing the right thing"			Get credit from banks	Differenciation for public contracts		
Need for more structure due to firm's growth			Firm's survival			
Low risk aversion and unwavering dedication of the CEO			Favorable environment, context			
Proactivity and open mindness of the management						
Free hand of the CEO						
Governance structure						
Objective of becomming an example for other firms						
Duty and will to provide quality goods to clients						
Personal satisfaction and pride to be affiliated to a comitted firm						
Formilization through the obtaintion of a label						
Perfect alignement of mangement-shareholders-administrators						

Figure 2 : Factors having a positive influence

Factors having a negative influence						
Internal environement					External environement	
Individuals			Firm		Socio-cultural context	External factors
Employees	Management	Shareholders	Finance	Firm's marketing		
Employees relunctance to change	Disagreement or relunctance of one of the shareholders/executive officer	Business angel challenges decisons but do not restrict	Financial costs	Clients perceptions	Cultural sensibility to sustainability	Lack of legal obligation
Multiple projects and limited human resources	Multiple projects and limited human resources	Disagreement or relunctance of one of the shareholders/executive officer	Firm's survival	Supply chain coordination	Skepticism due to lack of education, information	Absence of an effective supranational legislator
Lack of education of the staff	Risk aversion	Risk aversion		Competition on the price		Legal obligations
	Propertiy rights					Macroeconomic events
	Appropriate communication					Lack of publicity and recognition of labels

Figure 3 : Factors having a negative influence

2.2 Discussion

In this section, we will integrate what we have learned from our field research with what we have learned through our literature review. Before delving fully into this part of the work, it is pertinent to recall the research question of this thesis. The purpose of this research endeavor is to provide insights into the question: “What are the factors that could favor shareholders in profit-oriented non-quoted enterprises to support a shift toward a more balanced people-planet-profit mission?”.

2.2.1 ***The internal environment of the firm***

In this section, we will commence by discussing the internal factors of the company, including its individuals comprising it, as well as the financial and market-related characteristics of the organization.

The individuals

During the interviews, we learned that the personality and personal interests of the shareholders played a crucial role in determining their willingness to become drivers of their company's strategic transition. Indeed, it is crucial that shareholders are individually driven by strong personal values regarding the “people” and “planet” related issues. As it was put forward by Jensen & Meckling (1994), it is a reductive assumption that managers’ and shareholders’ only interest is to maximize their financial profits. Managers and shareholders, as human beings, care about various other dimensions which can be the respect of the environment or social justice, for instance. However, the alignment of these values within the shareholder group is equally essential. When the different shareholders are in sync with these values, it becomes a pivotal factor. This aligns with the Agency theory and the concept of property rights. Since the owners of the firm have provided the necessary capital for creation of wealth and hence bear the greater risks, the moral obligation of managers to exclusively serve the owners' interests finds its justification (Shankman, 1999). Therefore, if the "planet" and "people" dimensions are integral to the values and consequently the interests of the shareholders, initiating a strategic transition within the company becomes straightforward as other stakeholders will need to align themselves accordingly.

Another influencing factor is the long-term vision of the company held by the shareholders and their vested interest in the business's future. Indeed, when their time horizon extends beyond the short-term, they are more inclined to take social and environmental dimensions into consideration. Falck and Heblich (2007) supported this statement by arguing that CSR investments were more likely to pay off in the long run and that therefore, long-term investors may be more supportive of social investments. This interest in the future of the firm was more pronounced in family-owned enterprises, concerned about passing on a healthy and sustainable business to the next generation.

Another crucial element is the sense of pride experienced by shareholders due to their association with a company that prioritizes social and environmental considerations in its strategy. Our findings indicate that this feeling of pride is particularly pronounced in family-owned enterprises. Shareholders of historically family-owned businesses, especially those engaged in the generational continuation of the company, experience a deeper sense of connection and loyalty to the family enterprise, leading to a heightened sense of pride in its positive reputation. This is further exacerbated when the top management is also part of the ownership. Hence, this also applies to individuals who are members of the top management.

We learned from the testimonies that the members of the top management being personally linked to the image of the company is also a source of motivation for them and that directors also derive a certain personal satisfaction and pride to be affiliated to a committed firm. As it was argued by Brammer and Pavelin (2006), firms that engage in CSR activities may be able to build stronger reputations. This link with image is even more noticeable in smaller-sized companies, in situations where the CEO is also a shareholder of the company, and when the company is family-owned.

Furthermore, the desire and ambition to become an example to other companies is also a source of motivation. Managers or shareholders, both in alignment or as one person, desire to act as pioneers and to be among the initial companies embracing an innovative yet feasible business model, ultimately demonstrating the existence of alternative approaches. We observe this tendency among smaller firms in which the CEO is also the majority shareholder. This is in line with the theory presented by Carland et al. (1984) in their research on entrepreneurship and according to which the “SME owner” is often the founder and manager of the company and his intention is to achieve personal objectives. The firm is hence created as an extension of his personality and the individual feels deeply connected to the company and what it represents.

Similar to the case of shareholders, the fact that individuals in the top management, particularly the CEO, are driven by strong intrinsic values is an important factor in the success of the strategic transition of the enterprise. Concerning the CEO, this characteristic is particularly crucial. We have learned that the CEO being driven by strong values related to social and environmental issues is a necessary condition for initiating a strategic transition towards sustainability. In the majority of cases studied, when the CEO possessed these traits, they served as the driving force behind the transition within the company. This phenomenon is even more pronounced in cases of leadership change, where a new CEO sharing these values assumes leadership of the company. As defined by Alchian and Demsetz (1972) and Jensen and Meckling (1976) the firm is a team composed of self-interested individuals who realize that their future depends on the survival of the team in a context of competition with other teams. They highlighted the fact that humans are self-serving by nature. This supports the notion that when individuals are driven by strong values, particularly towards social and environmental issues in this context, they are more likely to become drivers of the transition as it aligns with their personal interests. And when these values are particularly strong in an individual, their entry into the company as CEO or majority shareholder can act as a triggering event for the company's transition. Also, the stewardship theory supports this idea and suggests that executive managers are not characterized as only opportunistic individuals ; instead, their primary intention is to do a good job, to be a good steward of the company's assets and are also self-motivated to act in the best interest of the firm. During our research, it became evident that the CEO is the key individual who will determine whether the company's strategic transition will take place or not. Indeed, when shareholders are not integrated into the company's executive committee, they may demand the strategic transition of the company. However, if the CEO is not driven by values aligned with this purpose, the implementation of such a transition may be more challenging and slower. Conversely, if the shareholders are not convinced of the idea of a strategic shift, a CEO who is motivated by their convictions, proactive in their approach, enthusiastic, and determined, is likely to bring about more significant changes within the company, in our opinion.

In addition, we have also learned that managers derive a sense of satisfaction from doing "the right thing”. This sense of satisfaction alludes to the concept of "warm glow" defined by Andreoni (1990) referring to a psychological feeling of satisfaction or happiness that individuals experience when they engage in prosocial behaviour or contribute to public goods. Alternatively, this sense of accomplishment can also stem from a moral duty felt by the managers. These observations are supported by Donaldson and Davis (1991) who stated that managers have a moral obligation to prioritize "doing the right thing" irrespective of its impact on the financial performance of the firm. We have however observed that this feeling of satisfaction is not as powerful as the feeling of moral duty or the intrinsic values that drive individuals. Individuals seeking the comforting feeling of satisfaction tend to settle for surface-level actions and tend not to become true drivers of the transition.

During our research, it has also emerged that other characteristics than those related to intrinsic values specific to the CEO and the shareholders of the company influence the behavior of the shareholders in the strategic transition. First and foremost, their attitude towards risk-taking. A CEO with a low aversion to risk is indeed a factor of positive influence. This argument also holds true for shareholders who, when unafraid of taking risks, are more inclined to become driving forces behind the strategic transition of their company. When both parties are aligned, meaning when they share the same risk attitude, the results are even more remarkable, and the initiation of the strategic transition is smoother and more efficient. As presented by Eisenhardt in 1989, the non-alignment of risk aversion between the two parties, within the framework of agency theory and principal-agent relationship, is likely to lead to conflicts between the parties and cause agency costs, which it is preferable to minimize.

When coupled with a low risk aversion, a high degree of CEO autonomy granted by the shareholders contributes to a more effective implementation of strategic transition. The scenario in which the CEO has the maximum autonomy occurs when the individuals holding the majority of shares and the CEO coincide. In this situation, the CEO can initiate the strategic transition of the company without risking conflicts with the shareholders. Indeed, according to the property rights theory (Shankman, 1999), the firm must act in the interest of the shareholders. The principal-agent problem arises from the fact that the ownership of the company became separated from the management of the firm. In this case, there is therefore no risk of a rise of the Principal-Agent problem, as the interests of both parties are perfectly aligned (Eisenhardt, 1989). The stewardship theory also supports this idea and argues that performance differences emerge based on whether the structural context in which the executive operates enables effective actions by the executive. Hence, the situation in which the CEO is also the majority shareholder allows them to achieve high corporate performance since the CEO exercises complete authority and his role is clear and undisputed (Donaldson 1985). However, it is possible for the CEO to achieve a certain degree of autonomy when they are not the majority shareholder through a shareholder agreement. This agreement can grant them greater decision-making power despite owning a lesser number of shares. Nevertheless, we have observed that, alongside with the values driving the individual, the degree of autonomy of the CEO is a very determinant factor in the success of the implementation of the strategic shift.

Another positively influencing factor for shareholders to become drivers of their company's strategic transition which is still linked to the personalities of the individuals is the degree of proactivity and open-mindedness of the top management. When members of the management take initiatives and propose ideas, projects to other members and shareholders, it tends to motivate individuals, even in the case of a expressed reluctance to the shift. However, in order to propose and be proposed projects, one must be open to new ideas and receptive to change.

Subsequently, we identified two other management-related factors, but unlike the arguments presented in the preceding paragraphs, these are not linked to the personalities of the individuals within the company. First and foremost, we have learned that the need for more structure and formalization due to the company's growth is a factor of positive influence. This need can even play the role of a triggering element for the transition in certain companies. In the cases we observed, particularly in smaller-sized enterprises, due to management concerns in growing businesses, an audit and inventory of sustainable practices in place are conducted, often found to be scattered and unorganized. Upon completion of this assessment, the management realizes the potential for improvement and additional actions that can be implemented. This is particularly explained by the fact that SMEs have a distinct governance system. Marchesnay (1991) elaborates that due to the unique

characteristics of SMEs, their management differs from that of large corporations. Many SMEs are governed by owner-managers or entrepreneurs whose primary objective is not the growth of the company and can therefore feel overwhelmed by this unplanned growth. Additionally, these individuals may possess managerial skills that are less suitable compared to external managers.
Aligned with this, the need for structure and formalization can stem from the pursuit of obtaining a label or certification. To be certified, numerous criteria must be met by the company. This procedure necessitates the formalization of the company's practices and, as delineated earlier, the assessment of accomplishments and outstanding tasks. Furthermore, this approach provides clear objectives for the company to achieve and can potentially shed light on aspects that were previously overlooked by the firm. It can also appear as a challenge to achieve all the well-defined objectives for the company which can be a source of motivation.

We have also come to understand that extra-financial reporting was not a major concern for companies, in particular, SMEs and family-owned enterprises. It was not what we expected since extra-financial reporting can be used as a form of marketing and can therefore enhance the reputation of the firm. The reporting of the practices in place mostly in the form of an inventory of the practices. However, in the company more advanced in its strategic shift, extra-financial reporting was better developed.

Our fieldwork also revealed that the relationships that employees had with the company were also a factor influencing the behavior of shareholders in the transition. Similar to shareholders and management, the fact that employees of the company hold strong values and share them is a positive influencing factor. Another significant factor that facilitates the transition and the role of shareholders in it is a high level of employee commitment to the firm. This brings us back to the concepts of the Agency Theory and the stakeholder-based perspective within this theory. The instrumental stakeholder theory as it was presented by Donaldson and Preston (1995) stated that managing stakeholder interests lead to better corporate performance. Hence, when the employees, a group of stakeholders, are driven by values in regards with the environment and social dimensions, taking these interests into account by including them within the strategy of the firm may assert their commitment to the firm and ultimately boost the corporate performance. In parallel to the statements regarding management and shareholders, It also appeared that employees also feel a sense of pride stemming from their association with a company dedicated to these issues. This feeling can be an influencing factor for the transition since it could also enhance their commitment to the firm.

Our analysis has highlighted the significant importance of individuals' personal values. Furthermore, it has been demonstrated that "intra-group alignment," which involves the sharing and alignment of these values among different groups of stakeholders, namely management, shareholders, and employees, is also crucial. However, the most decisive factor in initiating a strategic shift towards a more balanced "people-planet-profit" mission is "inter-group alignment," meaning that different groups of stakeholders align around shared values. It is theorized that a shared set of values among the members of an organization help said organization to survive in a changing environment and adapt to its surroundings (Cheney et al., 2010).

The firm

One of the most sensitive aspects when addressing the integration of "people" and "planet" dimensions into a company's strategy is related to the costs and investments associated with it. However, it is a subject on which opinions diverge. Through our fieldwork, we observed that for the vast majority of companies, the financial aspect represented the main barrier to the strategic transition of their business.

However, we were still able to classify the financial dimension as a positive influencing factor. Indeed, we learned that investing in social and environmental dimensions may lead to cost savings and indirect financial return. In our observations, this trend was particularly evident when investments were made in the "planet" dimension and this is explained, in particular, by choices made in the production process. Optimizing waste management and reselling waste, optimizing energy consumption management, practices related to recycling, incorporating the concept of a circular economy and reducing the use of raw materials are among the sources of cost reduction. In addition, investing in “people” also appeared to have several positive financial consequences such as smaller staff turnover within the company, more productive employees and a more loyal and denser client base. The stakeholder theory also argues in this sense that better corporate performance and maximized return on investment for shareholders could be achieved by the inclusion of the interests of other parties rather than focusing exclusively on the shareholder’s interests (Clarkson, 1995). This statement endorses the idea that investing in the “people” and in the “planet” can lead to better financial results. We have observed that this was a major positive consequence of the strategic shift within the interviewed firms and the positive and enthusiastic attitude of employees provided strong reassurance to the initiators of the transition in their decision to modify the strategy.

However, for the majority of individuals we encountered, the costs associated with implementing a strategic shift were the most discouraging obstacle. It could even be counterproductive as investing excessively large amounts in the transition might jeopardize the firm's survival. It is important to keep in mind that the interviewed enterprises are not non-profit and that their primary objective is to be a profitable business. The business model of these companies cannot be compared to that of a social enterprise or a cooperative; the goal of the targeted companies is to generate profit. Furthermore, as reiterated by the participants, one cannot invest money that is not available, and a financially unhealthy company cannot do much for the planet and individuals. This is why it is crucial for each company to find its own balance, its unique equilibrium, among the dimensions of "people," "planet," and "profit" to remain profitable and eventually maximize its performance in all three dimensions. Nevertheless, we learned that including social and environmental dimensions within the firm's strategy was indeed crucial for the firm's survival. The stakeholder theory in its instrumental approach argues that maintaining an appropriate balance between the interests of all stakeholder groups is the only way to ensure survival of the firm (Donaldson and Preston, 1995). As elucidated in the preceding sections, the term "stakeholder" also encompasses the environment, constituting a stakeholder group, as well as employees and clients, among others.

We have also learned that initiating a strategic shift enables companies to secure financing more easily. Indeed, a balanced mission can attract new investors to the company. It has been argued that firms having a socially and environmentally friendly image would more easily attract new investors and clients compared to firms that do not position themselves in such a manner (Norman & MacDonald, 2004). These organizations may appear more stable and their survival more assured. What is more, the strategic shift of companies may also facilitate the obtention of credits from banks. In fact, better corporate social responsibility (CSR) increases the chances of obtaining bank loans, and this positive correlation is more pronounced for long-term loans rather than short-term ones (Huang et al., 2022).

We have also learned that factors related to the company and its market can influence the behaviour of shareholders towards the strategic transition of the company. Firstly, the brand image and the positioning of the company is a positively influencing factor as it is known that CSR investments often provide firms with a good reputation, which is an important signal used by external stakeholders to evaluate a firm (Stevens et al., 2015). What is more, we also discussed the importance for companies to meet the need of being in line with today’s mentalities especially concerning customers, but also with employees. One of the objectives of the transition is to effectively and appropriately address the changing needs of customers and employees, who now seek greater consideration for environmental and social matters. These considerations are highly significant for the company to maintain its competitiveness in the market and to provide products that align with the needs and demands of customers but also to continue to be attractive for new employees. As we have seen, the stakeholders theory argues that corporations should take the interests of the stakeholders into account in view to achieving greater corporate performance (Clarkson, 1995). However, stakeholders' interests are not fixed and evolve over time, so it is important to account for this evolution in their interests and to take appropriate actions accordingly. Finally, the strategic shift toward the inclusion of "people" and "planet" dimensions within the mission of the company represents a means of differentiation in certain markets. As it was presented by Bhattacharya et al. (2008), both product-level and firm-level CSR-based differentiation strategies help increase the perceived value of a firm's products. In certain markets, when competition is fierce based on price, some companies opt to differentiate themselves or their products by positioning themselves around a commitment to respecting individuals and the environment. However, the decision to pursue this differentiation can sometimes be precarious, especially when dealing with substantial contracts or when competitors engage in price wars, particularly in markets where price is a critical factor for key target audiences.

2.2.2 ***The external environment of the firm***

Beyond the factors inherent to the firm and its individuals, factors from the external environment of the company also influence the motivation of shareholders to become drivers of the company's strategic transition.

We learned through the analysis of our data that the socio-cultural context in which companies evolve was an important influencing factor. It is linked to the argument related to the evolution of mentalities and the fact that individuals tend to be more concerned about social and environmental issues. We have learned during our fieldwork that the interest in environmental issues and social concerns was a generational matter and that younger generations were more sensitive to these issues, making age an important influencing factor. This fact relates to all the stakeholders of the company. However, the literature diverge on the subject and the paper of Titko et al. (2021) supports the idea and states that generation is a factor that influences personal CSR perception but it is argued that older generations are more sensitive to CSR dimensions. Nevertheless, it has been discussed in previous research that younger generations were more prone to show higher levels of relative concern for the environment and a stronger inclination to take action to preserve it than older individuals (Casey & Scott, 2006). Hence, we came to understand that it was important for companies willing to continue to attract new employees and companies whose target audience are younger individuals to engage in a strategic shift in order to stay relevant.

In addition, we also have come to understand that the geographical location and regional influence of prevailing customs were also significant factors. Indeed, the cultural sensitivity to environmental and social issues varies greatly depending on different cultures and regions of the world. This factor was more of a concern for companies operating at a larger scale and whose activities extend beyond national borders. Indeed, individuals in certain countries or regions are more receptive to the integration of social and environmental dimensions into the strategic mission, while others may be more resistant in different parts of the world. This cultural sensitivity factor can thus be both a positive and a negative influence. Berger-Douce and Courrent (2009) emphasize that sustainable development is "primarily an approach rooted in well-defined local realities, geographically delimited." [free translation]

We also have gained insights on the prevalence of legal obligations as influential factors for the transition. It has been discussed that laws regarding social and environmental practices were deemed to be the most powerful factor of influence for companies to initiate a strategic shift. Legal provisions are rules that cannot be bypassed, and every company is required to comply with them. Hence, an increasing number of laws are being formulated to compel companies to adopt environmentally respectful behaviors and to consider social dimensions. It is therefore in the interest of firms to act in accordance with these legal provisions, lest they face sanctions in case of violation. What is more, the number of laws regarding social and environmental dimensions ought to increase in the future and it should encourage firms to anticipate and integrate those dimensions within their strategy before being compelled to do so. Government regulations of CSR take various forms and originate from regulatory bodies at different levels. This can encompass formal and binding legal measures or recommendations aimed at providing guidance without possessing legal enforceability. Public regulation can be established by entities at various levels, including local, regional, national, supra-national bodies with delegated state authority (for instance, the EU), and international organizations (like OECD, UN, and specialized regulatory entities such as ILO and UNICEF) that operate based on state memberships (Buhmann, 2006). However, we have also learned that, on the contrary, the lack of legal obligations represents an obstacle to strategic shift of companies. The scarcity of the offer of some products on some markets, high prices and poor supply coordination are consequences of this lack of legal constraints. The lack of a supranational legislator and global legal framework is a factor of negative influence. This discrepancy arises due to variations in regulations and constraints for companies operating in different regions. As a consequence, some enterprises may experience a decline in their comparative advantages compared to competitors in regions with less stringent laws. This appeared to be an important obstacle for bigger-sized companies which find it difficult to operate while they are not subjected to the same constraints as their competitors.

Finally, we have ascertained that macroeconomic events are factors of influence. A specific macroeconomic context can motivate the company to embark on a strategic shift. As we have seen in the previous sections, the global Covid19 pandemic and the upheaval caused by this crisis has, for certain companies presented an opportunity to change their strategic direction, and according to our research this was more pronounced for SMEs and family-owned enterprises CEOs. Crises and significant macroeconomic fluctuations can thus serve as favorable factors for the strategic transition of companies. This idea is linked to the concept of entrepreneurs who are characterized principally by innovative behavior. They are also characterized by a preference for creating activity, manifested by some innovative combination of resources for profit and small risk aversion (Carland et al., 1984)

2.2.3 ***Limitations and comments***

Upon analyzing the results of this research and delving into them in the discussion, we can revisit certain limitations encountered and further discuss some facts.

First of all, the question of gender was not addressed during this research. We believe that achieving gender parity among the participants could have been valuable. We were unable to interview as many women as men because, as mentioned in the methodology section, only one woman responded positively to our interview request. Furthermore, we noticed that the gender topic did not emerge in the participants' discussions, whereas factors such as age and culture were mentioned repeatedly.

Moreover, the majority of companies we contacted happened to be originally family-founded businesses. It was not intentional. This characteristic had significance in the outcomes since we noticed that trends were emerging in the responses of companies with this characteristic and it would be intriguing to conduct research on the same topic with a specific focus on this business model.

Also, the majority of participants held the dual role of CEO and majority shareholder or had a similar setup where they possessed significant operational autonomy through a shareholder agreement. This resulted in a perfect alignment of interests between the CEO and the shareholders. Consequently, they were unable to provide information related to their personal experiences regarding the factors that drive shareholders to become drivers of their companies' strategic transition.

Furthermore, initially considering the extensive literature review conducted at the beginning of the research, we had the intention to focus the study on techniques of non-financial reporting and the significance it held within companies. We initially considered directing this research more towards the concept of the Triple Bottom Line as defined by Elkington, thereby assessing the degree of integration of "people" and "planet" related data in reporting practices and the thoroughness with which such reports were maintained (Elkington, 1997). However, during the interviews we conducted, we realized that participants were not very familiar with these practices and tended to provide brief responses on the topic. Since the interviews were semi-structured, we decided to allow the respondents to express themselves without much intervention. As a result, we noticed that their discussions didn't extensively cover the subject, and we adjusted our approach accordingly and slightly redirected our research. This is why the topic of reporting and the Triple Bottom Line does not hold a significant place in the results section of this paper.

Conclusion

The objective of this research was to explore the factors that could favor shareholders in profit-oriented non-quoted enterprises to support a shift toward a balanced mission people-planet-profit.

We initially conducted a literature review to establish a theoretical foundation for our research. We extensively covered the existing content related to the Agency Theory and the Stakeholders Theory, which emphasizes that firms should consider the interests of all stakeholders rather than solely focusing on shareholders. We also provided insights into the Triple Bottom Line concept and highlighted specific aspects related to SMEs and their specific management.

This research was conducted following an inductive and qualitative research approach. We conducted 7 interviews with persons active in the strategic management of their respective companies and occupying the positions of CEO or members of top management, or shareholders of the company, with some individuals occasionally fulfilling both roles.

At the conclusion of our data collection, we were able to identify a series of factors encouraging shareholders to support the strategic transition of their company. We have categorized the identified factors respective of their internal or external nature to the company. Regarding the internal factors, the alignment of individual personal values within various stakeholder groups and, even more significantly, the alignment of these values across stakeholder groups emerged as the most influential factor in our findings. Indeed, we have defined that the values held by individuals within the company as well as their personality traits are influential factors. The individuals comprise shareholders, members of management and the CEO, and employees who have been identified as the key stakeholders within the company who exert influence.

Regarding shareholders, the values held towards social and environmental issues are influential, as well as their long-term vision for the company and their interest in the firm's future. Additionally, the sense of pride felt by shareholders in their association with the company and its reputation makes them more likely to support the transition.
In terms of management members, the feeling of pride and satisfaction derived from their association with an image of a company committed to those issues is an influential factor. Management members also experience a sense of satisfaction from "doing the right thing," although some go beyond mere satisfaction and advocate a moral duty of "doing the right thing" as a source of motivation. Additionally, there is the desire and ambition of managers to set an example for other companies. Another significant positive influencing factor is the degree of autonomy in decision-making enjoyed by the CEO. Indeed, the CEO has been identified as a key actor in this context. Moreover, when the CEO possesses a high degree of autonomy and has a low aversion to risk, it has a significant positive impact on initiating a strategic shift. This effect is even more pronounced when the risk tolerance of shareholders aligns with that of the CEO. Thus, when the CEO is also the primary shareholder, the interests of the management and the owners are perfectly aligned, which significantly accelerates the transition process. It also appeared that the need for more structure and formalization due to firm growth or in view to obtain a label was also a positively influencing factor.
Similar to shareholders and management, the fact that employees of the company hold strong values is also an important factor which can lead to a higher level of commitment from the employees to the firm which is also a facilitating factor in implementing the strategic shift.

The most controversial factor turned out to be that of the company's finances. Indeed, investments in social and environmental issues lead to cost savings and indirect financial returns. However, the firm’s

finance and profitability remain the main concerns of the firm. Although the social and environmental dimensions are important considerations for the company, it remains a for-profit enterprise and their main objective is to generate profit and be a profitable business. Nonetheless, including social and environmental dimensions within the firm's strategy was indeed crucial for the firm's survival as an appropriate balance between the interests of all stakeholder groups is the only way to ensure survival of the firm.
Furthermore, a balanced-mission can attract new investors and facilitate the obtention of credits from banks as organizations may appear more stable and their survival more assured.
Indeed, brand image and positioning resulting from the inclusion of the social and environmental dimension in their mission provide companies with a better reputation which is also a positively influencing factor.
Moreover, companies also need to remain aligned with changing attitudes in order to stay relevant in the eyes of customers and individuals in the job market for whom these concerns are becoming increasingly important.
The strategic shift can also be used as a means of differentiation in certain markets.

Factors related to the external environment of the firm have also been identified. We have learned that the interest in environmental issues and social concerns was a generational matter and that younger generations were more sensitive to these issues. Also, the cultural sensitivity to environmental and social issues varies greatly depending on different cultures and regions of the world making geographic locations in which the company operates an important influential factor.
However, opinions diverge regarding the role of legal obligations. Indeed, Laws wield a compelling force that compels companies to adopt behaviors in accordance with social and environmental regulations, under the risk of facing penalties. The desire to avoid sanctions is a positive influencing factor for companies' transition. However, laws can also present a hindrance due to their absence. The lack of legal frameworks indeed carries consequences in the market, impeding companies in their strategic shift. Additionally, the absence of a global supranational legislator poses a challenge for internationally operating firms due to the lack of alignment in constraints experienced by various stakeholders, leading to a loss of comparative advantage for some.
Finally, macroeconomic events such as the Covid 19 pandemic are also factors of influence. However, they can be considered as opportunities and therefore influence positively the transition of companies but also as obstacles and inhibit their strategic shift.

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Appendix

Interview guide:

Personal data	• What position do you hold? • Do you own shares in the company?
Shareholding structure	• Can you describe the shareholding structure of the company? • Are shareholders active in the management of the company?
Strategic shift	• What sustainable practices (social, environmental, financial) are in place in your company? • At what point did this transition take place? • Who were the initiators of this change? • What are the reasons why the company decided to include sustainable dimensions within the strategy? • What was the most significant factor that allowed this transition to take place? • What was the biggest obstacle that was encountered?
Reporting	• Does the company have a non-financial reporting system in place? • Do you consider it important to maintain this reporting? • Does it serve an internal or external communication purpose?
Shareholders' reaction	• Did the shareholders show reluctance towards adopting sustainable strategies within the company? Why? • Did the shareholders react unanimously, or were there divergent opinions on the subject? Did differences in opinion emerge between shareholders with a larger ownership stake and those with a smaller one? • Did differences also emerge between shareholders associated with the company (those whose reputation, identity, or legacy is linked to the company) and those whose shares are just part of a diversified portfolio? What were the arguments from the different parties? • What were the arguments put forward to shareholders to convince them to support the incorporation of

	sustainable practices into the company's strategy? • Have shareholders demanded higher financial returns from the company since the implementation of sustainable practices in the strategy? • To what extent have the financial results of the company been impacted by the implementation of sustainable initiatives?
Finance	• Does the company rely more on long-term debt financing or equity capital contributions? • Do you believe that the strategic transition has had an impact on the ease of obtaining loans from banks? • Has anything changed among investors?

Executive summary

In recent years, corporations have faced increasing demands to integrate social and environmental dimensions within their business operations and have been criticized for their exclusively profit-centered vision. Today, for-profit sector businesses are expected to incorporate other non-financial dimensions of a social and environmental nature into their strategy. Nevertheless, making changes within a company's strategy is a significant undertaking, and businesses can be hesitant to embark on such a project.

Existing research already covers the role of shareholders in this strategic shift process and the reasons they would support such an initiative in quoted companies, but a gap exists regarding non-quoted companies. Our paper aims to address this gap in the scientific literature by examining the factors that influence shareholders of non-quoted profit-oriented organizations to support a shift towards a more “people-planet-profit” balanced mission.

Through our interviews, we see that shareholders are influenced by factors of different nature. We identified factors related to the internal environment of the firm such as the characteristics defining various groups of individuals such as shareholders, management, and employees but also the firm’s finance and the firm's marketing. However, the firm also evolves in a specific external environment defined by laws, the sociocultural context and macroeconomic fluctuations which has an influence on the behavior of the shareholders.

However, some factors have more influence than others. We have identified the personality of the CEO, the sharing and alignment of values among different groups of individuals in the company, namely management, shareholders, and employees as well as the fact that different groups of individuals align around shared values as the most important factors.