

# The Attitude Behind the Decisions: Sustainability within Asset Management

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## ABSTRACT

The aim of this study was to investigate how mutual fund managers view sustainability and what factors affect that view. By compiling a new dataset consisting of responses from 33 asset managers, the attitude toward sustainability was found to be affected by nine variables: *Work history, Employees, Sustainability rating, Type of investors, The common people's opinion, Female employees, Internationality, Competitors' stance* and *Pressure from competitors*. A larger share of the asset managers believed that their fund avoids negative publicity, rather than gains positive publicity, by incorporating sustainability into its operations. Furthermore, it was most common to use a positive or negative screening strategy to work sustainably, even though the asset managers themselves believed Engagement to have the largest potential impact.

**Keywords: Sustainability, CSR, ESG, SRI**

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# 1. Introduction

The last couple of years sustainability has gained more and more attention, especially in Sweden, which is one of the highest rated countries when it comes to taking responsibility for its impact on the rest of the world (Yale 2018). Since the operation of different organizations often has a significant effect on society as a whole, *Environmental, social and governance* (ESG) and *Corporate Social Responsibility* (CSR) have also become more popular concepts lately. ESG specifically concerns sustainability within the asset management industry, while CSR concerns the sustainability work of companies that funds can invest in.

Most previous research has focused on the CSR-ratings of businesses, something which is much more tangible than the definition of the concept or the underlying attitude toward it. This is especially true within the asset management field where the return is one of the most influential measurements of success and ESG is barely mentioned on its own. This study, therefore, focuses on the attitude behind the decisions to incorporate sustainability within the field of asset management. It is, after all, humans that make these decisions. Thus, the guiding research question is: *How do mutual fund managers, offering their services to Swedish clients, view sustainability and what factors affect that view?*

Like previously mentioned, not much research has been conducted within this specific area. To fulfill the aim of the study, a new dataset, which was based on a survey distributed to asset managers, had to be compiled. In total, 92 funds were identified to fulfill the criteria set for the study. The survey was sent out by e-mail to the responsible asset manager for each mutual fund with the promise of complete anonymity in exchange for honest answers.

To determine the attitude toward sustainability, several statistical tests were performed. A regression analysis, in accordance with Liang and Renneboog's study from 2016, determined that attitude was affected by nine different variables: *Work history, Employees, Sustainability rating, Type of investors, The common people's opinion, Female employees, Internationality, Competitors' stance* and *Pressure from competitors* (see section 3.3 for a more extensive description).

The beta values of the standardized coefficients showed that the previous work history of the asset manager (whether he or she had previously worked with sustainability in any way) had the biggest effect on his or her attitude. The empirical evidence also showed that the extent to which the asset manager believed that the common people cared about sustainability and how international the fund was also had a significant effect on the attitude. If he or she thought that the public cared more about sustainability, he or she found sustainability to be more important. The same was also true for the extent of internationality.

Furthermore, descriptive statistics showed that a larger share of the asset managers believed that by incorporating sustainability, they avoid negative consequences, rather than gain positive benefits. The reason for this can be that the traditional view of CSR, which interprets the concept as philanthropic rather than value creating, might still dominate.

Additionally, there was also a disparity between the operation of the funds and what strategy the asset managers believed was best in regards to sustainability. An *Engagement strategy* was thought to be best, but most of the funds in practice used either a *Positive screening strategy* or an *Exclusion strategy*. The reason for this could be that it takes more resources to be an active owner and change a firm from within, rather than just choosing to invest in organizations that already score high on ESG characteristics, or simply avoid investing in those with low scores. Asset managers might also state that an Engagement strategy is best since this, in reality, means that they can keep firms that perform financially well but underdeliver in regards to ESG in their portfolio by claiming that they are in the process of changing them.

## 2. Previous literature

### 2.1 Theoretical framework

#### 2.1.1 The definition and view of sustainability

The aim of this study is, as previously mentioned, to investigate how asset managers view sustainability and what factors affect that view. Within the asset management industry, sustainability is more commonly referred to as *Environmental, social and governance* (ESG). This is not the only subcategory of sustainability that is relevant to bring forward, however. Since mutual funds invest in “ordinary” companies, it is also important to talk about *Corporate social responsibility* (CSR) (UNPRI, 2005; Chen 2019). Fundamentally, though, the two abbreviations refer to the same notion e.g. taking responsibility for environmental-, social- and governance aspects when conducting business. Therefore, the understanding behind the two concepts will be used relatively interchangeably in this thesis, meaning that the knowledge is transcendent.

The more traditional view of CSR is Milton Friedman's *Shareholder Value Approach* which states that firms should only be held responsible for profit maximization (Friedman, 1970). Per this view, managers should only incorporate CSR activities if it increases value for investors, but the choice should be made by the shareholders. Moreover, the Shareholder Value Approach suggests that CSR-active firms perform economically worse than other firms. Thus, CSR is viewed as being completely philanthropic (Friedman, 1970).

The opposing perspective is the *Stakeholder Value Approach* by Edward Freeman, stating that organizations must create value for all stakeholders to be successful. Freeman argues that firms can increase return and performance by incorporating sustainability and thereby having a long-term perspective (Freeman, 1984). Thus, Friedman's theory can be seen as short-term profit-maximizing and Freeman's long-term profit-maximizing (Barley, 2015).

To complement these two more traditional perspectives, Bénabou and Tirole published a paper in 2009 assessing the delimitation between individual- and corporate social responsibility. According to them, there are three different perspectives on the matter: an insider initiated perspective, a delegated philanthropic perspective, and a win-win perspective. The first one suggests that CSR reflects management's own desire, not the shareholders', and sustainability is therefore seen as profit diminishing. The second argues that organizations incorporate CSR, even though it is profit diminishing since it is on behalf of stakeholders. The third claims that organizations can gain both economic benefits and please their stakeholders by the incorporation of sustainability (Bénabou & Tirole, 2009).

The information provided in this section is useful to get a better understanding of the attitude toward sustainability, but it does not provide any knowledge on how mutual funds can work with the concept. Therefore, the next section will investigate this further.

### 2.1.2 Sustainable and responsible investments

An even more narrow subcategory of sustainability, which in turn also relates to ESG, is *Sustainable and responsible investment* (SRI). When an asset manager follows an SRI-approach, he or she puts an emphasis on ESG-aspects during the whole investment process. By doing this, they hope to ensure a long-term return for their clients, while at the same time contribute to society by influencing portfolio companies to be more sustainable (Eurosif, 2003).

There are several different SRI strategies, but the most common one is *Exclusion* which is a form of *Negative screening* (Eurosif SRI Study, 2016). When an asset manager uses an Exclusion strategy, he or she chooses to not invest in industries or organizations considered to be "bad" e.g. firms that produce weapons or drill oil. Funds that use this strategy typically assess investment opportunities against a range of ESG-criteria to decide whether to invest or not (Hockerts and Moir 2004).

Other commonly used SRI strategies are *Positive screening* and *Engagement*. When an asset manager uses Positive screening, he or she invests in the best industry or the best company based on certain ESG aspects (Eurosif SRI Study, 2016). Engagement, on the other hand, is an SRI strategy where the investor uses active ownership (primarily dialogue, voting and other forms of responsible shareholder activities) to make the portfolio company more sustainable (Hockerts and Moir 2004).

### 2.1.3 The human psyche

Since this study investigates the attitude toward sustainability and how that attitude is affected, it is of interest to look closer at this area within psychology. An attitude can be described in many different ways. Eagly and Chaiken (1998) define the concept as "a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor" (Eagly, Alice H., and Shelly Chaiken, 1998). A person's attitude can affect not only how he or she views a certain object, but also how much attention he or she gives the object (Vogel, T., Bohner, G., & Wanke, M., 2014).

Most of the attitudes that we hold can be derived from our learning. Most of us have learned how to perceive and act towards specific ideas or objects (Doob, L. W., 1947). This insight can be linked to different theories about conditioning, such as classical conditioning, instrumental conditioning and social learning (Pavlov, I. P., 1927; (B.F. Skinner, 1938; Bandura, A., 1971). If one, for example, sees that someone else thinks negatively of sustainability, one might very well start doing the same.

Although personality can affect a person's attitude, the two concepts should not be confused with one another. Personality doesn't change while experience often changes a person's attitude. The more a person is exposed to a specific thing, the more the attitude can be expected to be affected and this is called the *Mere-Exposure Effect*. People tend to prefer things that they are familiar with (Zajonc, R.B., 2001). If one constantly hears positive things about sustainability, one is more likely to agree with the notion.

Furthermore, research (Baumeister, R. F., Bratslavsky, E., Finkenauer, C., & Vohs, K. D. 2001; Fredrickson, B 2009) has shown that humans put greater psychological weight on bad experiences than on good ones and this is called *Negativity bias*. If one has both good and bad experiences of sustainability, one will be more affected by the negative (Grossmann, T., Vaish, A., Woodward, A., 2008).

Another interesting concept to look at in regards to this is the *Bystander effect*. It implies that people are less likely to act in the case of an emergency when there are other people present (Darley, J. M. & Latané, B., 1968). This theory can be applied to sustainability as well. If everyone on the planet is responsible for its well-being, a single individual does not feel as personally responsible. The same is true for organizations, more employees mean less personal responsibility for each member of the workforce for the end result.

## 2.2 Previous research findings and hypothesis development

Since most previous research concerning sustainability and finance is focused on explaining the relationship between return and the incorporation of sustainability, there isn't much empirical evidence on how the attitude toward sustainability is affected. One can, however, assume that if a company has a high CSR-rating it puts a higher emphasis on sustainability and therefore has a more positive attitude toward the concept. Thus, the evidence that there are factors which affect the CSR-rating of a company will be discussed in this section.

For example, there seems to be a connection between a firm's country of legal origin and its CSR rating. Liang and Renneboog (2016) even show that the correlation outweighs firm and country characteristics like political institutions and ownership concentration and that it also has a stronger explanatory value than "doing good by doing well" factors. Which country the funds have their offices in must, therefore, be an aspect that can influence the asset manager's attitude toward sustainability. The study in question also seems to conclude that civil law countries, and especially Scandinavian countries, have higher CSR-ratings. Hence, closeness to Sweden might also be important.



Other factors that can affect a company's CSR-rating are the political opinion of the managers and the region which the firm operates in and whether the CEO of the organization has a daughter or not. When firms have Democratic founders, CEOs or directors, they generally have a higher rating and when the CEO has a daughter, the CSR-rating is also substantially higher (Di Guili & Kostovetsky, 2014; Cronqvist & Yu, 2017).

This study will not investigate the political ideology of the asset managers or what gender their children have, but it is interesting to note that unexpected external factors can have an effect on the sustainability rating of the organization. It, therefore, seems that not only things such as size or return affect the attitude of asset managers (how much importance they choose to put on sustainability), more psychological aspects also appear to be essential.

Another aspect that drives the environmental and social (E&S) performance of firms is whether the organization has institutional investors or not. If they do, they generally perform better. Dyck, Lins, Roth, and Wagner (2018) also conclude that both social and financial returns motivate institutions to incorporate sustainability. When investors come from countries with a strong community belief in sustainability issues, the organizations also increase their performance. These findings prove the effect that investors have on the funds' work with and view of sustainability.

Moreover, Nofsinger and Varma (2014) terminate that socially responsible mutual funds outperform mutual funds that aren't socially responsible during times of crises, especially those that focus on positive screening. If this is common knowledge, it might influence the attitudes of the asset managers toward sustainability.

### 2.2.1 Hypotheses development

On the back of the theoretical framework and previous research findings, three hypotheses have been developed.

Since Yale ranked Sweden as number five in regards to sustainability according to their Environmental Performance Index (EPI) year 2018 (Yale 2018), as well as the fact that Sweden is a civil law country, sustainability can be assumed to be of great importance for funds providing their services to Swedish clients (Liang and Renneboog 2016). Additionally, based on Cronqvist and Yu's findings (2017), women seem to have a positive effect on the attitude toward sustainability. The *Bystander effect* also indirectly states that asset managers from organizations with many employees can be expected to care less about sustainability since each asset manager do not feel as personally responsible (Darley, J. M. & Latané, B., 1968).

**Hypothesis 1:** Attitude towards sustainability, in regards to importance, will be most affected by the number of employees, percentage of women and whether the fund's offices are geographically centralized to Sweden.

As previously mentioned, there exist different opinions on how the return is affected by the incorporation of sustainability. Based on the findings by Nofsinger and Varma (2014), socially responsible funds can be expected to perform better than funds that aren't socially responsible when it is needed the most, and if this is common knowledge, asset managers should feel that they gain positive benefits from incorporating sustainability.

**Hypothesis 2:** Mutual fund managers believe that they gain positive benefits, rather than avoid negative consequences, by incorporating sustainability.

As stated before, sustainability can be pursued in many different ways and which way a fund chooses to do so shows what attitude that fund has toward sustainability. If a fund, for example, uses an Engagement strategy that could indicate that it views sustainability as more important. It is fair to assume, however, that most of the mutual funds will use either Positive screening or Negative screening (in the form of an Exclusion strategy) since these are two of the most commonly used strategies (Eurosif SRI Study, 2016).

**Hypothesis 3:** Most mutual funds work sustainably by using screening strategies.

## 3. Data and methodology

### 3.1 Sample collection

The aim of this study is to analyze fund managers' view on CSR. As earlier mentioned, since no existing data on the topic could be found, a new dataset was comprised based on a survey targeting asset managers. In order to prevent the same person from responding several times and thus affecting the results, only one response per IP-address could be logged. A total of 92 funds were identified to fulfill the research criteria.

The survey was initially sent out February 15th and a reminder was sent out on the 22nd. After three weeks, the data collection was completed. In total, 33 full responses were successfully recorded, representing 35.87% of the initial sample. The response rate is considered to be satisfactory since it is above the common research standard (Baruch and Holtom, 2008).

#### 3.1.1 Sample selection bias

When one collects data through a survey, there is a risk of endogeneity problems. The asset managers got to report their answers themselves, which might imply a certain bias. It is, after all, more likely that you answer a survey concerning sustainability if you think sustainability is important. Thereby, the respondents' propensity for participating in the study might be correlated with the topic studied, and this would then implicate self-selection bias in the resulting data.

Furthermore, the selection of topic and questions may influence potential respondents' willingness to participate since the respondents might not want to reveal their true perception of sustainability.

To deal with these potential biases, the political sensitivity of the questionnaire was tested on several professional asset managers before the survey was distributed. They confirmed that the questionnaire should not pose any threat. However, even though preventive measures were taken, the risk of bias cannot be completely ignored.

## 3.2 Methodology

In accordance with Liang and Renneboog's study (2016), the statistical methodology for this study is regression analysis. The regression is of a linear kind since this suits the study best. A more extensive description of the analysis can be found in the sections below.

## 3.3 Dependent and independent variables

The dependent variable in the regression analysis is the attitude toward sustainability. This variable is comprised by answers to several different questions, there among what importance the asset manager gives sustainability, how he or she believes that the return and assets under management are affected by the fund's work with sustainability and how much the employees within the fund care about sustainability. Together, all of these responses have a Cronbach's alpha of 0.728 which makes it possible to compute them into one variable (Cronbach, 1951).

Furthermore, nine independent variables are used. The first one is called *Work history* and it measures whether the asset manager has previously worked with sustainability or not. The second variable is *Employees* which measures the number of employees at the Stockholm office working within asset management (not including administration personnel). The *Sustainability rating* variable instead examines whether the fund is rated according to any sustainability rating system.

There's also an independent variable called *Type of investors* which measures to what extent the fund has sovereign wealth funds as clients. The fifth independent variable is the perception of the common people's opinion regarding funds and sustainability. *Female employees* measures the percentage of female employees. The seventh variable, *Internationality*, measures how international the fund is (whether their offices are geographically centralized or not).

Moreover, *Competitors' stance* examines to what extent the fund believes that other funds work with sustainability and the final variable *Pressure from competitors* investigates to what extent the fund (or asset manager) feels pressure to work with sustainability due to competitors work with sustainability. The constant is denoted by  $c$ .

**Equation 1.** The regression equation.

$$\begin{aligned} \text{Attitude} = & \beta_1(\text{Work history}) + \beta_2(\text{Employees}) + \beta_3(\text{Sustainability rating}) + \\ & \beta_4(\text{Type of investors}) + \beta_5(\text{The common people's opinion}) + \beta_6(\text{Female employees}) + \\ & \beta_7(\text{Internationality}) + \beta_8(\text{Competitors' stance}) + \beta_9(\text{Pressure from competitors}) + c \end{aligned}$$

### 3.4 Descriptive statistics

**Table 1.** Descriptive statistics over the variables.

Variable	N	Minimum	Maximum	Mean	Std. deviation
Attitude	33	2.14	3.86	3.2035	.40725
Work history*	33	1	2	1.55	.506
Employees	33	1	100	15.42	20.559
Sustainability rating*	33	1	2	1.33	.479
Type of investors	33	0	20	2.1212	4.61491
The common people's opinion**	33	1	4.5	3.1364	.86848
Female employees	33	0	61	22.6667	17.62219
Internationality***	33	1	4	2.06	1.116
Competitors' stance**	33	2	4	3.24	.663
Pressure from competitors**	33	1	3	1.64	.859

\* where 1 indicates a positive answer and 2 a negative answer

\*\* where 1 indicates the lowest amount and 5 indicates the highest

\*\*\* how international the fund is, where 1 is the lowest amount (only Stockholm) and 4 the highest (Europe and other locations globally)

In the table above, one can see that many of the different variables used in the regression analysis have quite different units of measurement. This also affects their minimum and maximum values. From this, the conclusion can be drawn that It is important to compute standardized coefficients beta values when conducting the regression analysis so that the impact of the various independent variables on attitude can be compared.

## 4. Results

The following section discusses the obtained empirical results in relation to the hypotheses stated in section 2.2.1. The results from the regression analysis are presented in section 4.1. In section 4.2 different views of sustainability are discussed. The disparity between how funds work versus what is considered to be the most effective way of operating sustainably is investigated in section 4.3.

### 4.1 Regression results

**Table 2.** Correlation between the dependent and independent variables.

	Pearson correlation	N
Work history	-.296	33
Employees	-.411	33
Sustainability rating	-.359	33
Type of investors	-.346	33
The common people's opinion	.594	33
Female employees	.041	33
Internationality	.110	33
Competitors' stance	.275	33
Pressure from competitors	.205	33

This table illustrates the Pearson correlation between the dependent variable, Attitude, and independent variables.

As one can see in the table above, there is a strong correlation between the dependent and independent variables and this lays the foundation for the rest of the tests. However, this test is not technically part of the regression analysis, it only fills the function of illustrating the underlying conditions for the analysis.



**Table 3.** Model summary.\*

R	R Square	Adjusted R Square	Std. Error of the EStimate	Durbin-Watson
.789	.623	.475	.29512	1.924

\*where the dependent variable is *Attitude* and the independent variables are *Work history*, *Employees*, *Sustainability rating*, *Type of investors*, *The common people's opinion*, *Female employees*, *Internationality*, *Competitors' stance* and *Pressure from competitors*.

From the R square value, one can understand that the model has an explanatory value of 62.3%. This is considered to be satisfactory due to previously mentioned guidelines.

Furthermore, the Durbin Watson value indicates that there is a low risk of autocorrelation in the sample.

**Table 4.** ANOVA.

	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.304	9	.367	4.215	.003
Residual	2.003	23	.087		
Total	5.307	32			

This table illustrates the Sum of Squares, df, Mean Square, F and Significance for the Regression and the Residual.

The regression model is significant since the p-value is below 5% (>1%) and the results are therefore considered to be robust. Since the regression is of a linear variety, and no external assumptions are made, no additional robustness checks will be conducted (Lu & White, 2014).

**Table 5.** Coefficients.

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	2.688	.484		5.556	.000
Work history	-.330	.207	-.410	-1.595	.124
Employees	-.005	.003	-.251	-1.569	.130
Sustainability rating	-.109	.135	-.128	-.807	.428
Type of investors	-.006	.014	-.072	-.453	.655
The common people's opinion	.167	.072	.356	2.314	.030
Female employees	-.003	.004	-.120	-.649	.523
Internationality	.100	.074	.273	1.354	.189
Competitors' stance	.161	.103	.263	1.561	.132
Pressure from competitors	.044	.071	.093	.617	.543

This table illustrates the Unstandardized B, Coefficients Standard Error, Standard Coefficients Beta, t, and Significance for the variables used in the Regression.

From the table above one can see the explanatory value of each independent variable in relation to the dependent variable. What is interesting to note is that Work history seems to explain the attitude toward sustainability the most when one disregards the unit of measurement (standardized coefficients beta). After Work history, The common people's opinion and Internationality seem to have the largest effect on attitude. What is also interesting to note is that a higher percentage of female employees seem to have a negative effect on attitude. These results will be discussed further in section 5.

**Table 6.** Residuals Statistics.

	Minimum	Maximum	Mean	Std Deviation	N
Predicted value	2.3197	3.8569	3.2035	.32133	33
Residual	-.51427	.58998	.00000	.25020	33
Std. Predicted Value	-2.750	2.034	.000	1.0000	33
Std. Residual	-1.743	1.999	.000	.848	33

This table illustrates the Minimum, Maximum, Mean, Std. Deviation and N for the Predicted value, Residual, Std. Predicted value and the Std. Residual.

As one can see in the table above, the predicted value for the attitude has a minimum of circa 2.3 and a maximum of circa 3.9. None of the asset managers/mutual funds, therefore, consider sustainability to have no importance at all or to be extremely important. On average, the asset managers believed that sustainability was relatively important. The collinearity diagnostics table can be found in the appendix.

## 4.2 Different views of sustainability

**Table 7.** Do you think that your fund avoids negative publicity by incorporating sustainability into your operations?

	Frequency	Percent
Yes	28	84.8
No	5	15.2
Total	33	100

The table above shows that a majority of the asset managers believe that their fund avoids negative publicity by incorporating sustainability into their operations.

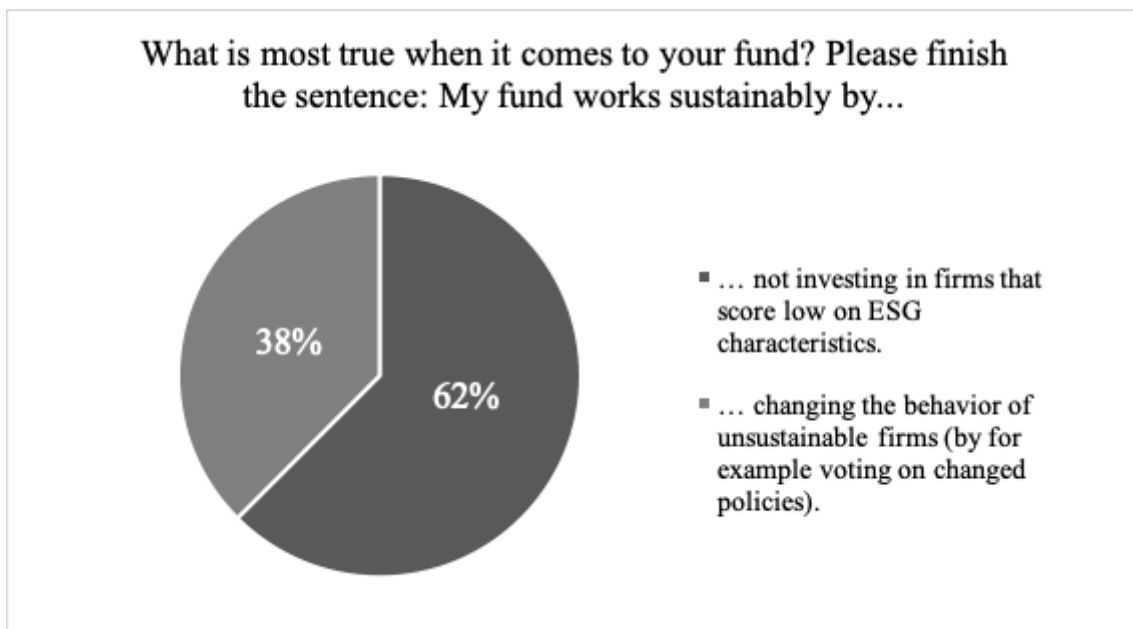
**Table 8.** Do you think that your fund gains positive publicity by incorporating sustainability into your operations?

	Frequency	Percent
Yes	21	63.6
No	12	36.4
Total	33	100

Similarly to Table 7, Table 8 shows that a majority believe that their fund gains positive publicity from incorporating sustainability. This majority is, however, smaller than the majority that believes that their fund avoids negative publicity by incorporating sustainability into their operations. This matter will be further discussed in section 5.

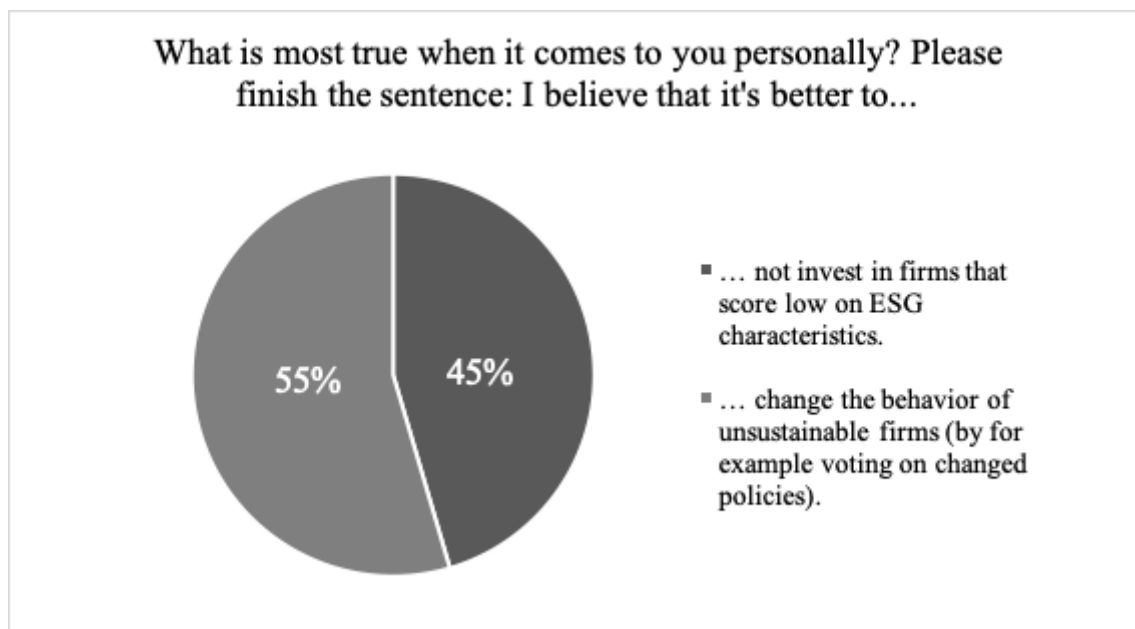
### 4.3 The disparity between opinions and operations

**Diagram 1.** The distribution of strategies mutual funds use to work sustainably.



As one can see in the diagram above, a larger share of the asset managers answered that their fund works sustainably by not investing in firms that score low on ESG characteristics, rather than by changing the behavior of unsustainable firms.

**Diagram 2.** The distribution of strategies asset managers believe are the best.



When the asset managers instead had to answer the question which strategy they thought was best in regards to sustainability, a majority said that trying to change the behavior of unsustainable firms is better than to not invest in firms that score low on ESG characteristics. It, therefore, seems to be a disparity between the operation of mutual funds and the opinions of the asset managers that work for the funds. This matter will be further discussed in section 5.

## 5. Implications and conclusion

The aim of this study was to find out how mutual fund managers view sustainability and what factors affect that view. The empirical results support the third- and (partly) the first hypothesis. The second hypothesis was falsified.

Before the study was conducted, it was believed that attitude toward sustainability would be most affected by the number of employees, the percentage of female employees and whether the fund's offices are geographically centralized to Sweden. As it turns out, attitude is indeed affected by all of these factors, but they are not the variables that affect the attitude the most. From table 5 it can be concluded that previous work history of the asset manager explains attitude the most since its standardized coefficients beta value is  $-.410$ . This means that, if the asset manager has previously worked with sustainability, he or she is more likely to consider sustainability to be important. This finding is in line with the Mere-Exposure Effect (Zajonc, R.B., 2001).

The common people's opinion also influences attitude. If the asset manager believes that the common people care a lot about sustainability within the asset management industry, and particularly if his or her fund works sustainably or not, it is more likely that he or she considers sustainability to be important. This can be connected to Liang and Renneboog's study (2016) and Di Guili & Kostovetsky's study (2014) which both prove that the political environment which an organization operates in can affect the attitude of the employees of that organization. Politics is, after all, opinions.

Internationality, on the other hand, seems to have an opposite effect compared to what was initially believed. The more international a fund is, the less centralized to Sweden its offices are, the more the asset manager working for the fund believes that sustainability is important. This result is not in line with Liang and Renneboog's study (2016) and this relationship should thus be investigated further in future research.

In accordance with Dyck, Lins, Roth, and Wagner's study (2018), attitude is also affected by the type of investors the mutual fund has.

Moreover, it was believed that fund managers themselves would consider the incorporation of sustainability to give their fund positive benefits, rather than helping their fund to avoid negative consequences. This hypothesis is not supported by the empirical findings. A larger share of the asset managers responded that they avoid negative publicity, rather than gaining positive publicity, by incorporating sustainability. This could be explained by the general view on sustainability, where Friedman's Shareholder Value Approach (1970) is still a popular reference point. The more modern theories on sustainability, like Bénabou and Tirole's win-win perspective (2009), hasn't gained as much traction yet.

The third hypothesis was that most funds work sustainably by using screening strategies. This hypothesis is supported by the empirical findings. As one can see in Diagram 1, 62.5% of the asset managers said that they do not invest in firms that score low on ESG characteristics rather than taking an active part in the development of a firm (using an Engagement strategy). However, not investing in firms that score low on ESG characteristics could mean that the asset manager uses either Positive screening or Negative screening (Exclusion). From the results, it is hard to know which one, and this should, therefore, be investigated further in the future.

Another interesting thing to note is that there seems to be a disparity between which strategy asset managers use, and which strategy they themselves believe to be the best one (in regards to sustainability). In Diagram 2, it is apparent that most of the respondents believe Engagement is the best strategy, but in Diagram 3 one can easily see that Positive screening or Exclusion are the strategies most commonly used.

The reason why this gap exists could be because it is often less costly to use screening strategies, rather than an Engagement strategy. If one operates in accordance with the latter, a lot more resources must be invested in the project since a plan has to be formulated and then executed. Screening, on the other hand, is relatively easy in comparison. When using that kind of strategy, one only needs to look at the already decided upon criteria and then avoid the companies that are actually in most need of a sustainable influence.

From another perspective, there might be other reasons as to why the asset managers responded that they think Engagement is the best strategy. By using that strategy, they can keep bad firms in their portfolio claiming that they work hard to make them more sustainable, while in reality, they do not. The motivations behind the use of different SRI strategies would, therefore, be interesting to investigate further.

The conclusions that can be drawn from this study have practical implications when it comes to improving mutual funds in regards to sustainability. Since the work history of the asset manager, for example, has a significant effect on attitude, making asset managers actively work with sustainability in any way will not only affect how they work right now but also how they work in the future.

Moreover, implementing changes like this might also lead to a shift in attitude toward sustainability. Instead of viewing sustainability as a necessary evil one takes part in to avoid negative consequences, asset managers will perhaps start to think of it as something that helps them gain positive benefits. As previously mentioned, the more someone is exposed to a certain idea, the more familiar he or she will be with that notion. By exposing the asset managers to sustainability, they will possibly get a more positive outlook on the concept.

Mutual funds might also be able to achieve a larger impact if they start using the strategies that the asset managers themselves believe to be most effective. Engagement is, according to the findings from this study, considered to be the best strategy in regards to sustainability and, hence, mutual funds should perhaps use this strategy instead of Screening. One should be careful, though, since the motivations behind the different opinions are not yet made clear.



## 5.1 Limitations and future research

One methodological limitation regarding the research is the sample size. One could argue that the *nonresponse bias* makes the final sample size too small to draw any generalized conclusions from the data. Self-selection bias, as previously mentioned, might also be a problem. Furthermore, there is a risk that some of the questions in the survey were misinterpreted by the respondents, and this gives rise to *response bias*. *Social desirability bias* could potentially be a problem as well since one is viewed as being a better person if one has a more favorable attitude toward sustainability.

Future research could, therefore, base its analysis on a larger sample to be able to draw more generalized conclusions. Some of the limitations could also be overcome by making participation in the new study compulsory, thereby ensuring that not only those with an already positive attitude participates in the study. The social desirability bias is hard to overcome since this is a much deeper rooted problem.

As discussed in the previous section, it would be interesting to look closer at what effect internationality versus geographic centralization has on the attitude of asset managers. Moreover, finding evidence for which type of screening strategy that is the most common could illustrate the research topic further. Finally, the motivations behind different SRI strategies could be investigated more closely.

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# 7. Appendix

## 7.1 Survey Questionnaire

### 7.1.1 Personal questions

#### 1.1 Gender

- Male
- Female
- Other

#### 1.2 Year of birth

- Select a year

#### 1.3 Do you live in Sweden?

- Yes
- No

#### 1.4 How long have you been working at the fund that you currently work at?

- Select a number of years

#### 1.5 Have you previously, on a personal level, worked with sustainability in any way?

- Yes
- No

#### 1.6 How important do you consider sustainability to be?

	Not at all important	A bit important	Moderately important	Very important	Extremely important
	1	2	3	4	5
I consider it to be...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 7.1.2 General questions regarding the fund

#### 2.1 What are the fund's assets under management (roughly in SEK)?

- Insert a number

#### 2.2 How many employees work at the Stockholm office (roughly within asset management and not including office personnel)?

- Select a number

2.3 What is the average age of employees (roughly)?

- Select a number

2.4 What percentage of the employees are women? (roughly and not including office personnel)?

	0	10	20	30	40	50	60	70	80	90	100
Please select a percentage.											

2.5 Where does your fund have offices?

- Only in Stockholm
- Only in Stockholm and other locations in Sweden
- Only in Sweden and other locations in Europe
- Europe and other locations globally

### 7.1.3 General questions regarding the fund's work with sustainability

3.1a Does your fund work with sustainability in any way?

- Yes
- No

3.1b If yes, since when? (This question will only be displayed if answering yes on 3.1a)

- Select a year

3.2 How much do you think employees within your fund care about sustainability?

	Not at all	A little bit	A moderate amount	Very much	Extremely much
	1	2	3	4	5
I think they care...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.3a Does your fund face any legal or regulatory requirements regarding sustainability?

- Yes
- No

3.3b If yes, which? (This question will only be displayed if answering yes on 3.3a)

- Fill in an answer

3.4a Is your fund rated according to any sustainability rating system?

- Yes
- No

3.4b If yes, which? (This question will only be displayed if answering yes on 3.4a)

- Fill in an answer

3.5 Do you think that your fund avoids negative publicity by incorporating sustainability in your operations?

- Yes
- No

3.6 Do you think that your fund gains positive publicity by incorporating sustainability in your operations?

- Yes
- No

3.7 How do you think that your work with sustainability affects your return?

	Very negatively	Quite negatively	Not at all	Quite positively	Very positively
	1	2	3	4	5
I believe that it affects the return...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.8 How much return are you willing to sacrifice to ensure that the fund works sustainably?

- None
- <1%
- 1%-2%
- 2%-3%
- 3%<

### 7.1.4 Questions regarding the fund's clients

4.1 What kind of clients/investors does your fund have? (insert rough percentages, you need to move all sliders.)

	0	10	20	30	40	50	60	70	80	90	100
Pension funds											
Insurance companies											
Private investors											
Sovereign wealth funds											
Hedgefunds											
Other											

4.2 Where are your investors mainly based?

- Sweden
- Other European country
- Other country outside of Europe

4.3 How much capital does the average client invest in the fund (roughly in SEK)?

- Fill in a number

### 7.1.5 General questions regarding investors and sustainability

5.1 To what extent do you think that your investors' return is affected by your work with sustainability?

	Very negatively	Quite negatively	Not at all	Quite positively	Very positively
	1	2	3	4	5
I think it's.... affected.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5.2 How much do you think that your investors care about your fund's work with sustainability?

	Not at all	A little	A moderate amount	Quite much	Very much
	1	2	3	4	5
I think they care...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5.3 Do you believe that your fund's work with sustainability increases or decreases the amount of assets under management?

- Increases
- Decreases

5.4 How do you believe that your average investor thinks that their return is affected by your fund's work with sustainability?

- I believe that they think that their return is decreased
- I believe that they think that their return is unaffected
- I believe that they think that their return is increased

5.5 How much return do you believe that your average investor would be willing to sacrifice in order for you to work sustainably?

- None
- <1%
- 1%-2%
- 2%-3%
- 3%<



## 7.1.6 General questions regarding sustainability

6.1 Please select a number.

	Not at all	A little bit	A moderate amount	Quite much	Very much
	1	2	3	4	5
To what extent do you believe that the common people care about your fund's work with sustainability?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To what extent do you believe that the common people care about how sustainable funds are in general?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To what extent does the common people's opinion affect your operations?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To what extent do you believe that other funds work with sustainability?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6.3 What is most true when it comes to your fund? Please finish the sentence: My fund works sustainably by... (This question will only be displayed if answering yes on 3.1a)

- ... not investing in firms that score low on ESG characteristics.
- ... changing the behavior of firms (by for example voting on changed policies).

6.4 What is most true when it comes to you personally? Please finish the sentence: I believe that it's better to...

- ... not investing in firms that score low on ESG characteristics.
- ... changing the behavior of firms (by for example voting on changed policies).

6.5 How do you define CSR/sustainability?

- Fill in an answer

## 7.2 Other tables from the regression analysis

**Table 9.** Collinearity diagnostics.

Dimension	Eigenvalue	Condition index
1	7.600	1.000
2	.855	2.982
3	.732	3.223
4	.286	5.152
5	.218	5.904
6	.145	7.234
7	.099	8.766
8	.042	13.379
9	.013	23.994
10	.009	29.053

This table illustrates the Eigenvalue and Condition index over the 10 dimensions that the regression model consists of.