

ANDRÉ HOFFMANN | PETER VANHAM

THE NEW NATURE OF BUSINESS

THE PATH TO PROSPERITY & SUSTAINABILITY



WILEY

Additional Praise for *The New Nature of Business*

“This must-read book for any business leader offers an inspiring blueprint for harmonizing business success with sustainable, inclusive prosperity.”

—**Francisco Veloso**, *dean, INSEAD*

“We are blind to how much financial capital entirely depends on natural and social capitals. This book is an inspiring story of corporate lives evidencing that it is concretely both possible and urgent to change our economics.”

—**Emmanuel Faber**, *chairman, International Sustainability Standards Board*

“What is the purpose of a company? Whom should it serve? Shareholders, employees, customers, community, or the planet? André takes us on an exciting journey through his and his family’s stewardship of Roche. Through the ups and downs they experienced, he reaches the answer: a company is nothing if it doesn’t provide returns for everyone and everything it affects.”

—**Mo Ibrahim**, *founder, Mo Ibrahim Foundation*

ANDRÉ HOFFMANN | PETER VANHAM

THE
**NEW NATURE
OF BUSINESS**

THE PATH TO PROSPERITY & SUSTAINABILITY

WILEY

Copyright © 2024 by André Hoffmann and Peter Vanham. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 750-4470, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permission>.

Trademarks: Wiley and the Wiley logo are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries and may not be used without written permission. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc. is not associated with any product or vendor mentioned in this book.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Further, readers should be aware that websites listed in this work may have changed or disappeared between when this work was written and when it is read. Neither the publisher nor authors shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic formats. For more information about Wiley products, visit our web site at www.wiley.com.

Library of Congress Cataloging-in-Publication Data:

Names: Hoffmann, André, author. | Vanham, Peter, 1986- author.

Title: The new nature of business : the path to prosperity and sustainability / André Hoffmann, Peter Vanham.

Description: Hoboken, New Jersey : Wiley, [2024] | Includes index.

Identifiers: LCCN 2024020837 (print) | LCCN 2024020838 (ebook) | ISBN 9781394257539 (hardback) | ISBN 9781394257553 (adobe pdf) | ISBN 9781394257546 (epub)

Subjects: LCSH: Business. | Sustainability.

Classification: LCC HF1008 .H64 2024 (print) | LCC HF1008 (ebook) | DDC 658.4/08--dc23/eng/20240601

LC record available at <https://lcn.loc.gov/2024020837>

LC ebook record available at <https://lcn.loc.gov/2024020838>

Cover Design: Wiley

Cover Image: © Victor Picon

*(From André) To my wife and all my family.
Long-term thinking is key!*

*(From Peter) To Valeria, Eloise, and Amélie,
for defining my “new nature” as husband and father.*

Contents

Introduction	ix
Acknowledgments	xvii
About the Authors	xxi

Chapter 1: The Myth of the Founder and a Company's Capitals	1
Chapter 2: A Conservationist and His Fight for the World's Natural Capital	25
Chapter 3: Finding the Compass for a New Nature of Business	43
Chapter 4: Roche Today The Road to Sustainability	61
Chapter 5: The Roots of the New Nature of Business	83
Chapter 6: Building with Intent, and Leading by Example	105
Chapter 7: How the Waste Guy Became a Superhero	131

Chapter 8:	A Whole New World of Business Opportunities	147
Chapter 9:	The New Nature of Leadership	163

★ ★ ★

Epilogue	197
Notes	203
Index	227

Introduction

It was a rainy afternoon back in 2003, when I got the phone call that could have been the beginning of the end of my family's then 107-year-old company. "You must come to Basel immediately," the man on the other side of the line said. "Come to my private home."

Alarmed, I got into my car, typed in the address in what was then still a brand-new technology—the GPS navigation system—and . . . almost got lost. (GPS navigation wasn't as smooth and reliable as it is today!) The device instructed me from my home through the forested back roads of Switzerland to the northern border city of Basel, just as a heavy rain poured down. It was like being in a movie.

When I finally got to my destination, I got the news. "We have just received a call from Novartis," Fritz Gerber, the then-chairman of our family company, Roche, and a confidant of my family, told me. "They are interested in acquiring the family shares."

This chapter is written in André's voice.

I hadn't been expecting that message. Over the course of more than 100 years, my great-grandfather Fritz Hoffmann and his descendants helped grow Roche from an experimental pharmaceutical start-up into the global pharma leader it was when I joined the board in the mid-1990s. Roche had been among the largest pharmaceutical companies in the world for most of its existence. It certainly was one of the world's largest family-controlled companies. And it had never been any generation's intention to change that legacy.

We had seen ups and downs, both in the company's fate and that of our family. Nevertheless, the company had created value in the long run, and had a symbiotic relationship with our hometown of Basel, the country, and the health industry at large. We had also managed to hold on to the majority of voting shares in our company, even as our overall shareholding had diluted, as 20th-century history affected us and our company. Now, a large minority shareholder had just sold its voting shares to Novartis.

★ ★ ★

As I let the news sink in, my mind went to what a potential merger would mean for others. What good would it bring to Basel, Switzerland, the pharma industry, or the economy at large? Novartis was our neighbor across the Rhine. It was itself the result of a merger of two 19th-century competitors of ours—Sandoz and Ciba Geigy. I respected the company as one that kept us always alert. They were a constant reminder that in a free-market innovation and competition are crucial to survive. But it was never anyone's intention in the family to merge, and we weren't alone in seeing things that way. "Bread is better in a town with two bakers," one of our new top executives would say. The merged company would lead to market concentration certainly in Basel and Switzerland, and to a certain extent the global pharmaceutical industry as well. It would bring a lot of social disturbance to the combined company—and it wasn't certain it would be better for other stakeholders, either.

Still, we faced a difficult decision. Although the resulting company would bring an end to our ownership, it would also enable the merged company to take a fresh start. As a family, we had taken a hands-off approach to Roche's ownership for decades, mostly since my grandfather's untimely death in a car accident in the 1930s. Entrusting the company's day-to-day management to nonfamily members worked well for a long time, but cracks had started to appear. Just a few years earlier, our company had gotten in trouble, being convicted in the US after a vitamin price-fixing scandal. Roche was obliged to pay a multibillion-dollar fine. And all of us with ties to the company had had to accept that this had happened under our watch. The fact that as owners, we had been ignorant about such practices and failed to prevent them from happening, had sown doubt even among ourselves about our ability to steer the company into the 21st century. Wouldn't everyone be better off with the proposed merger, after all?

As I drove back in the middle of the night from Basel, those conflicting thoughts were on my mind. As one of only two family members on the board, many of my relatives would look to me to come up with a first reaction. And I had to admit: If someone made an offer for the entirety of our company, it was probably because the company was undervalued. We—and I—needed to think hard about what our added value as family owners was.

We also had to answer the imminent question in front of us: Do we go to the "safe" route of cashing in, and allow the two industrial assets to merge? Or are we willing to fight on our own, with a lower financial return in the short term, perhaps, but potentially also a better long-term outcome for shareholders *and* stakeholders?

★ ★ ★

Today, as I think back of those events two decades ago, I realize that in that moment of crisis also lay the start of my vision for our company and the role of business in society more broadly.

We did in fact maintain our independence, and built the Roche of the 21st century, following the north star of “doing now what the patient needs next.” Product-wise, drugs like Tamiflu and several of our oncology drugs became big successes in the years following the takeover bid, helping millions of people, and proving the value of the *raison d’être* of our company to patients. They also proved to be a financial vindication of our approach, as Roche surpassed Novartis in market capitalization in the 2010s, after trailing it at the time of the bid.

Before we got there, though, there had been many things to sort out, including about our *purpose*. I had had to define for myself and my family members what my proposed alternative to a merger would look like—and why it was better. As I had mulled this over, my basic belief had come to be this: A company does not exist *solely* to make money for its shareholders in the short term. Novartis, Roche, or any other company should not simply aim to maximize profits or “total shareholder returns” in the next quarter or year. Of course, from the narrowly defined view on “fiduciary duty,” any well-meaning advisor would have been excused to tell my family at the time—or any shareholder of a takeover target—it was better to sell. But it would not have advanced what I now see as the central responsibility of a company and those who own it: to create sustainable and inclusive prosperity. The new nature of business, I came to believe, had to include adding value to society, and doing so in an inclusive way that doesn’t harm the environment.

Why do I want to tell this story, and that of my journey? Because after many decades of peace and prosperity, the societies we are part of are faced with turmoil, and even existential threats. Just as my family members and I were at a crossroads 20 years ago (or Roche’s previous stewards were in the turbulent first half of the 20th century), I feel like all of us are today. In my family, a new generation is getting ready to steer business and the economy into a new direction. The narrow context in which my children and their cousins will need to reinvent the family business is one where new Roche products and offerings need to be brought to

market, as a previous generation of “blockbusters” loses steam. But the next generation also needs to reinvent the business model in a broader context, where no business can be unsustainable any longer in the environmental and societal sense. Businesses need to be regenerative, adding more to society and the planet than they take from it, whether from a natural resource, financial, human, or societal perspective.

Collectively, we haven’t yet figured out how to meet that challenge, and time is running out. Will we continue to think and act in the short term and in our narrow self-interest, or will take a more enlightened approach? As you—the current and next generation—tackle this question, I hope you can build on the insights I gained throughout the years of stewarding Roche.

★ ★ ★

Of course, companies and their owners, management, and employees cannot solve all the multitude of crises we are facing today—at least not alone. But by taking our responsibility, we sure can do more than they are doing today in creating the sustainable and inclusive prosperity we so badly need. Today’s economic actors still destroy more value than they create, mostly because they don’t account for the natural, social, and human externalities they bring about. That upsets me, as it means we are sleepwalking toward more disasters in the future.

But at the same time, I’m not a doomsday thinker. My frustrations lead me neither to despair nor a blanket *j’accuse* toward my peers. I do not believe we are helpless in the face of the crises we are confronted with. I also do not believe we need an actual *revolution* to turn things around. (My mother’s family was dispossessed of their estates in Central Europe, after a revolution brought the communists to power there. They would not forgive me for such failure to learn from history.) In fact, besides being an environmentalist I am also a capitalist, and I believe capitalism can provide the answers to the challenges we are facing.

As vice-chairman of a family-controlled company, the prosperity I enjoy came about because of private ownership, free trade, competition, and innovation our company could benefit from. At the same token, the society I am part of benefited from our family company's entrepreneurship as well. Basel today is the prosperous town it is, thanks in large part to the business leaders who shaped the city throughout the centuries, building industries that brought employment and welfare to the entire region. At a global level, the pharmaceutical innovations launched by Roche and other similar enterprises improved the lives of most people with access to health care today. So, I believe it is for good reason that my family has fought to preserve our Roche ownership rights over generations: long-term stewardship of assets can lead to long-term investments, innovation, and improvements, and help lift entire communities.

I do, however, also believe we require collectively a more enlightened approach to capitalism. The reason is that prosperity isn't created by the *financial capital* of individual entrepreneurs alone. It is also the result of *social, natural, and human capital* that is found and built throughout society and our planet. If we want to preserve our system of democratic capitalism, we need to ensure our system is sustainable in the long run and beneficial for everybody. That is not (only) a moral imperative; it is a matter of the system's long-term survival, and it is an underpinning of the democratic side of capitalism.

In this book, my coauthor Peter and I present some of the concepts and cases I've reflected on in the past 20 years as I sought to build the stepping stones of a more sustainable and inclusive economic system. Some of them have been applied at Roche as it charted its way after the takeover bid. Other examples come from some other companies and leaders I have come to know and appreciate. And yet others are at a more experimental stage, with widespread implementation still (and hopefully soon) to follow. I recognize fully that they do not add up to a full solution. Nor do I miss the irony of a billionaire writing about equity and

sustainability. But we need all hands on deck to build a more sustainable future, and this is my attempted contribution.

In writing this book, I draw on my own experience, and that of our family business. I share personal anecdotes and past company stories that I hope may inspire you, either because they show success or enable learning from failure. And I look to the present and future, presenting both ideas and practices that I believe will help us all to build sustainable, inclusive prosperity going forward. These are challenges I hope to help address, but that will mostly be solved—or not—by those that come after me: my children and all their fellow young people around the world. I hope this book may be a help to them (and to you!), either because it helps change the ways of those in establishment today or because it encourages those who will soon succeed us. I wish you all an inspiring read.

Acknowledgments

From André: Thank you to my father for teaching me about natural capital, to my mother for alerting me at an early age about the importance of social capital, and to my wife Rosalie for helping me to build huge stores of human capital. You made me who I am and inspired this book.

Thus equipped I journeyed through life and its many pitfalls and opportunities with a curious and open attitude. I was able to connect with many fascinating people and their opinions. They are probably too many for an exhaustive list. All those aha! moments were inspired by meetings, readings, and events, and I am sure that those who helped me to progress the new nature of business are aware of how they contributed to this book.

I must single out my coauthor Peter. Our sessions and our correspondence about so many aspects of our manuscript have really brought us both much further than I thought possible when we started. Thank you.

The last 20 years of my life have been heavily influenced by my election to the board of Hoffmann La Roche. Fritz Gerber, Franz Humer, Gottlieb Keller, Severin Schwan, and many more were a constant help, as well as my co-board member—and particularly my cousin—Andreas Oeri.

At the same time, I started developing a portfolio of activities both within health care and in other activities. Here as well allow me to single out a couple of individuals. Claude Martin at WWF; Jorgen Randers at WWF and later Fondation du Tour du Valat; Sir John Krebs at Tour du Valat as well, and then Oxford University; Mike Rands at Birdlife International and later Cambridge Conservation Initiative; Gus Christie at Glyndebourne; Klaus Schwab at the World Economic Forum; Robin Niblett at Chatham House; John Chipman at IISS; George Weidenfeld of so many different organizations; Pavan Sukhdev of TEEB and then GIST; Mark Gough of Capitals Coalition; Marco Lambertini from WWF and now the Nature Positive Initiative.

A special mention should be made to INSEAD and to dean Mihov and Veloso. Katell Le Goulven, executive director of the Hoffmann institute, deserves my eternal gratitude for so much talent and energy at the service of both the school and the sustainable prosperity.

Let me also pay homage to my mentors over the years. Dr. A. Rupert, Prof. F. Bourlière, Georges Weidenfeld, and all these people who during one conversation or between two doors have brought me food for thought. My three sisters were particularly good at this, and I thank them for their guidance and challenges over the years.

Finally, none of these would be possible without the support of my office and I am very grateful to Jean, Charlotte, Jakob, and Ilona for their commitment and friendly support. Without them my life would be much more difficult. Jean was instrumental in the development of InTent, one of our more successful initiatives of the last years. Again, thank you to all.

In closing my thanks go to you, our readers. May this book succeed in sharing some of the excitement and sense of purpose that this way of thinking has brought to me.

★ ★ ★

From Peter: Any book has two stories: the one that is printed in ink and the one that is only found in between the lines. The latter, for me, has been one of a small group of people working together and supporting each other for two and a half years—during what for me was without a doubt the most eventful time of my life.

When I first approached André with the idea of writing a book together, I was head of chairman’s communications at an international organization, and I lived as a “DINK” (double income, no kids) couple with my wife Valeria in Geneva. As we conclude writing this book, I work as editorial director, leadership, at Fortune Media, and my wife and I have two beautiful daughters, Eloise and Amélie.

So, my gratitude goes out first and foremost to the two people who were the constant human factors in this story: my coauthor André, and my wife Valeria. They were there from the start, every step of the way since, and now as we get ready for launch and promotion.

I wish to thank also those around us who supported us, helped us write, provided their feedback, and gave us the opportunity to publish our book.

Specifically, I wish to thank Alegria and Enrique, my parents-in-law for helping Valeria and me find a balanced way to work and raise our children with love during the most challenging period of our life; the Craen family (Dirk, Carl, Luc, An, and Martine) for their unconditional support in my writing and teaching projects; Alan Murray, Lisa Cline, Jim Jacovides, Mike Kiley, Matt Heimer, and Indrani Sen at Fortune for finding the synergies with the work

we do together at Fortune; and Bill Falloon, Susan Cerra, and Purvi Patel at Wiley for being longtime partners in the publishing of our books.

Thank you to Jean and Charlotte in André's office; to all our interviewees and their supporting teams at Roche, ISSB, Holcim, Schneider Electric, Innergia, The B Team, Harley Davidson, IKEA, and INSEAD; and to Rosalie and Frederic, who helped provide ideas, suggested edits, and proofread our manuscript.

Finally: you may not realize it yet, but Eloise and Amélie, you were always on my mind as I worked on this project. Thank you for being such wonderful children and for having joined us on our new nature journey as it crystallized. I hope our efforts may benefit you and your generation, and that you will have found our efforts to define the new nature of business and society useful.

About the Authors

André Hoffmann is a Swiss business leader and environmentalist. He believes in business as a force for good, and advocates for a form of capitalism aimed at generating sustainable and inclusive prosperity.

André is the vice-chair of Roche; a member of the board of governors of the World Economic Forum, and a board member at several other businesses and organizations that promote systems change, regenerative practices, and new norms of corporate leadership, including The B Team, SystemIQ, Landbanking Group, and GIST.

As a fourth-generation family representative at Roche, one of the largest and oldest health care companies in the world, André is a guardian of the company's purpose of "doing now what patients need next." Through his family office, André also makes impact investments in other companies, such as the renewable and locally anchored energy company Innergia.

In addition to his business engagements, André and his wife Rosalie are cofounders of the Hoffmann Institute at INSEAD, the business school of which he is an alum, and InTent, a nonprofit

organization that seeks to drive sustainable change in business and society through partnerships between businesses and NGOs.

André is the president of the Fondation Tour du Valat, an institute dedicated to wetlands conservation, and previously served as vice-chair of the World Wide Fund for Nature (WWF). André studied economics at St. Gallen University and holds an MBA from INSEAD. He and his wife live and work near Lake Geneva, Switzerland.

★ ★ ★

Peter Vanham is a Belgian business journalist and author who writes about the global economy and the people who shape it, and focuses on stakeholder capitalism and sustainability.

As an author, his books include *Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet* (with Klaus Schwab, 2021) and *Before I Was CEO: Life Stories and Lessons from Leaders Before They Reached the Top* (2016). His books have been translated in more than a dozen languages.

As a journalist, Peter currently serves as editorial director, leadership, at *Fortune*, where he is also the coauthor of *CEO Daily*. Prior to that, he was head writer and head of the International Media Council at the World Economic Forum. His articles appeared in dozens of global media, including *Financial Times*, *Harvard Business Review*, and *Foreign Policy*.

Peter holds executive master's degrees in management research (ESCP) and global leadership (World Economic Forum), and master's degrees in business and economics journalism (Columbia University) and commercial engineering (KU Leuven). He lives and works in Geneva, Switzerland, with his wife and two daughters.

Chapter 1

The Myth of the Founder and a Company's Capitals

My great-grandfather, Fritz Hoffmann-La Roche, was a visionary entrepreneur. From 1896, he pioneered the nascent pharmaceutical industry, overcoming countless hurdles and challenges. He even nearly went bankrupt. But by the time he died, he had built a multinational corporation that still operates today as one of the largest and most impactful pharmaceutical companies in the world.

I love to look back on this story. And yet there's a problem with it. This story is too much centered on the achievements of one person.

We often hear business success is the result of individual genius, entrepreneurship, and persistence. We are told that founders are a special breed, and different from us. That they see solutions where others see obstacles. That they see the future, where we can only see the present. And that they succeed, not because of circumstances,

This chapter is written in André's voice.