# THE NEW BUSINESS REVIEW

SPRING 2020



## MELTING ASSETS



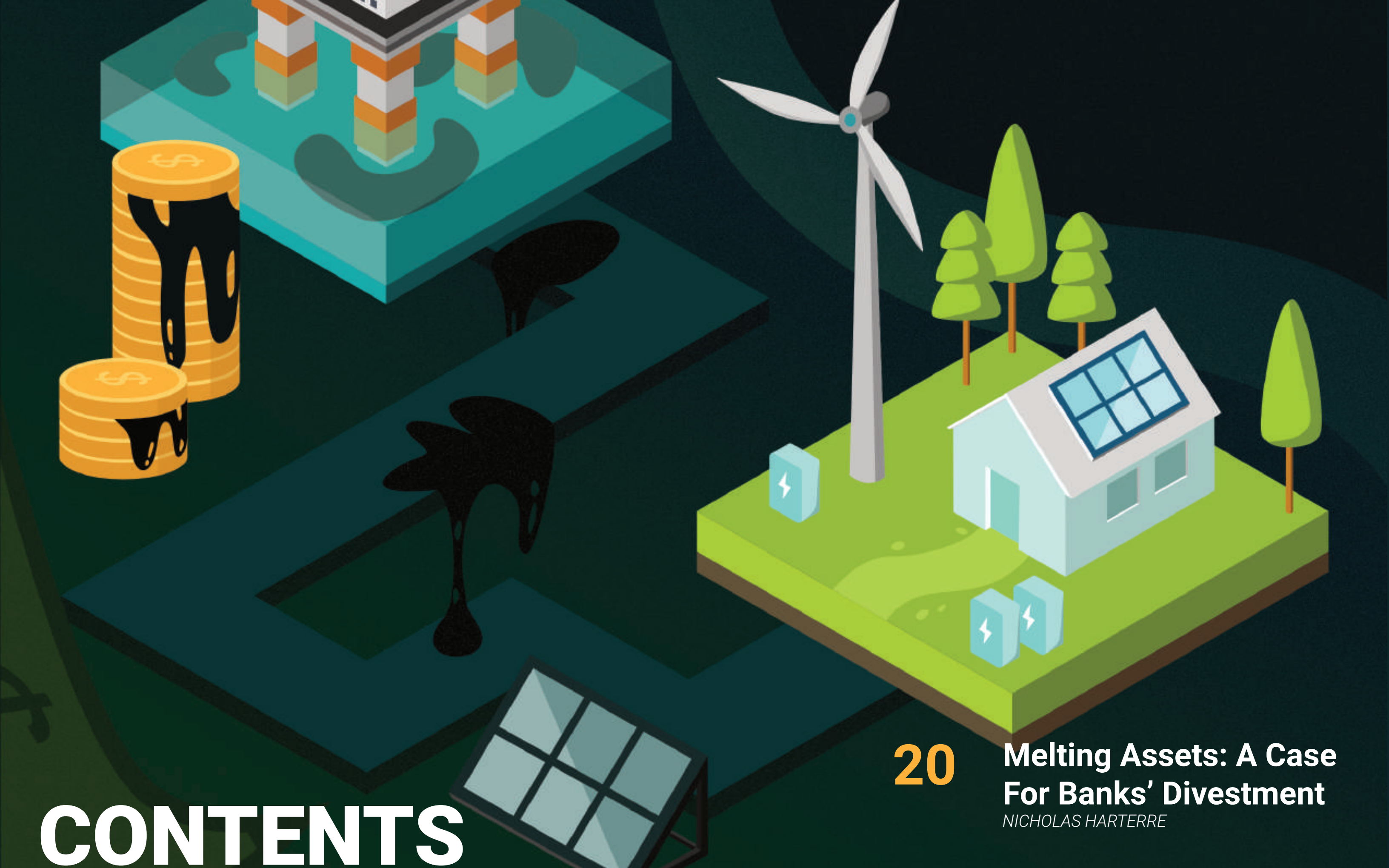
NBR

*An Undergraduate Business Publication at UBC*

“Spend more time thinking about purpose.”

**- Nolan Watson**

*CEO, Sandstorm Gold Royalties*
*BCom’01*





# CONTENTS

# OUR TEAM

## TEAM

| | |
|---|---|
| **Editor-in-Chief** | Saavin Lidder |
| **Chief of Staff & Operations** | Rohet Bains |
| **Editorial Board** | Sarah Vereschagin<br>Claire Polkosnik<br>Daniel Afolabi<br>Aadim Rajan<br>Emily Nold<br>Vibhuti Wadwha |
| **Research Team** | Sabrina Redies<br>Katerina Nieboer<br>Saniya Joshi<br>Anna Ma<br>Kevin Yang<br>Samuel Chen<br>Charles Liu<br>Matthew Scharien |
| **Art Director** | Haaziq Karim |
| **Art Team** | Anton Pizarro<br>Anna Zhang<br>Irene Zhang<br>Kelly Ye<br>Lizi Ma<br>Millenia Kitikul<br>Rachel Tong<br>Sophia Funk<br>Samantha Chiang |

## ABOUT

The New Business Review is an undergraduate business publication managed exclusively by students at the University of British Columbia. It was founded in 2020 with the mission to foster student thought leadership by providing a platform for tomorrow's business leaders to develop and discuss meaningful business insights. NBR publishes content in print and online twice a year; it is produced on the traditional, ancestral, and unceded territory of the Musqueam people. Each article is written specifically for the publication and is the result of months of rigorous collaboration between student writers, members of the Editorial Board, and select faculty members. Combined with the researchers and artists working in all aspects of content production, they form a thriving intellectually curious community at UBC.

## SPECIAL THANKS TO

**UBC Sauder Faculty Advisors**
James Brander, *Strategy & Economics Division*
James Vercammen, *Strategy and Economics Division*
Brian Sutherland, *Law & Business Communications*
Marlisse Silver-Sweeney, *Law & Business Communications*
Joey Hoegg, *Marketing & Behavioural Science Division*
Karl Aquino, *Marketing & Behavioural Science Division*

**Sponsorship**
UBC Sauder UGO Student Experience Grant Committee

**Support**
Nicole Kelly, *UGO*
Jon Kim, *CUS*
Erin Rao, *Faculty*
Isaac Holloway, *Faculty*
MarketOne Media Group

**SANTA J. ONO**

***President and Vice-Chancellor***
***The University of British Columbia***

# FOREWORD FROM PRESIDENT SANTA J. ONO

*When the UBC Business Review Journal ended its initial run in 1999 after 32 years, it capped a remarkable era of growth and prosperity for Vancouver, as the city grew from a small urban enclave to Western Canada's economic engine. The BRJ, with its examination of global and local trends by student contributors, helped shape some of the most influential business leaders at the helm of that evolution.*

*Now, two decades later, a group of ambitious students has resurrected the publication for a new era of remarkable shifts in the business community. Founded by Editor-in-Chief Saavin Lidder, the New Business Review will foster student thought leadership by exploring the latest business trends and developing strategies for businesses locally and abroad.*

*The timing couldn't be better. At a time of rapid technological, political and ecological change, the business landscape is evolving at a rapid pace. In a world faced by complex global issues, from climate change, to increased income disparity, we need a new generation of creative and innovative business leaders to develop a holistic understanding of business's fundamental role in society.*

*I believe they will get us there. This generation genuinely cares about betterment of society, and, as a result, they're breaking down the barriers between net worth and social worth. They have immense potential to be a force for positive change.*

*It's here, in this magazine, where UBC students will work to hone the nascent talents and ideas that will shape the future of business – and wider society – in the years to come.*

*I can't wait to see what they come up with.*

*Santa Ono*
***President and Vice-Chancellor***
***The University of British Columbia***

**SAAVIN LIDDER**

***Founder & Editor-in-Chief***
***The New Business Review***

## NOTE FROM THE EDITOR-IN-CHIEF

*In the midst of a humanitarian crisis, the natural tendency of organizations is to lean into essential activities and create a defensive strategy to survive. However, when the dust settles, companies will either be defined by what they did during the COVID-19 pandemic—or be defined by the pandemic itself. The magnitude of the economic challenge presented by the crisis may spark a resurgence in the discussion of corporate purpose. That is, not just in terms of balancing environmental, social, and governance factors with maximizing shareholder returns, but rather in regards to a company's reason for existence and its impact on the world.*

*For businesses, purpose is derived from a need that a company is willing to take action towards. Agile, forward-looking companies across the world have already begun weaving new value propositions to meet new (and urgent) customer needs. It may seem callous to suggest this during such a crisis, but the emerging economic challenge businesses face is an extraordinarily relevant reminder that great opportunity lies within adversity. There is an abundance of opportunity not for exploitation, but rather for businesses to thrive while simultaneously having a positive social impact, whether it be through creating jobs or a new service for consumers.*

*Change forces creativity as much as creativity drives change. Allowing adversity to be a catalyst for transformation may become the new paradigm for success. Over the past few months our team has examined the challenges that a variety of businesses are currently facing and the opportunities they can take advantage of to reposition themselves. Included are articles proposing the opportunities elicited by failures and changing competitive landscapes that nonprofits and Victoria's Secret must pursue to create greater value. We also discuss the opportunity banks have to divest in the wake of climate change, and demonstrate how companies can reduce the risk of corporate scandals.*

*Our articles on Beyond Meat and the National Basketball Association highlight opportunities that leverage existing competitive strengths. Finally, our article discussing research on mindfulness meditation suggests that leaders may need mindfulness practices now more than ever in order to make strong judgements.*

*The New Business Review is emblematic of the synergy and optimism that is required to challenge existing business positions and to champion bold ideas. As a new, entirely student run publication, it has developed a diverse ecosystem of individuals working* *together to foster student thought leadership within just four months of existence. Unlike the traditional model of faculty-based journals, our content is not a collection of papers from students' coursework. Instead, each of the articles you will read comes from several months of intense collaboration between the writer, members of the Editorial Board, and select Faculty members. NBR was founded to provide a platform for student writers—tomorrow's business leaders—to develop, discuss, and promote vibrant and rigorous business insights. In all, it has proven to create a dynamic learning experience for everyone involved.*

*I would like to acknowledge the New Business Review's predecessors, the UBC Business Review Journal (1967-1999) and Sauder Business Review (2014-2015), that were once published annually. With the creation of the New Business Review, we are eager to celebrate a new beginning for student thought leadership at UBC. As a team we also acknowledge that we produced the magazine on the traditional, ancestral, and unceded territory of the Musqueam People.*

*The following pages house the achievements of numerous UBC students, and are also the product of the extraordinary work done by the founding New Business Review Editorial, Research, and Art teams. The passion and persistence displayed by our writers and team members has been incredibly inspiring. The ultimate goal of any organization's purpose is the formation of an identity that lives beyond an initial creation or contribution, and I hope you are able to see the impact you had. I would like to thank you for your commitment to making this collective achievement possible.*

*I would also like to express my utmost gratitude to all those involved in any and all stages of the founding and production of NBR. To President Santa Ono—thank you for encouraging us despite the challenges we faced. Special thanks is given to our Faculty Advisors, who offered unwavering support and invaluable guidance throughout the entire process. A big thank you is also extended to our sponsors who believed in NBR and its value even when it was just an idea. Your collective support has made this initiative a reality.*

*Lastly, I would like to thank you, the reader, for your interest and continued support. I hope that what follows in the next pages will spark your curiosity, expand your knowledge, and be a source of inspiration. Most of all, I hope this edition will provoke you to think about the opportunity that lies in adversity, and how you can execute on a purpose in both your business and personal endeavours.*

*Sincerely,*

*Saavin Lidder*
***Founder, Editor-in-Chief***

## INTERVIEW WITH
# NOLAN WATSON
## CEO OF SANDSTORM GOLD ROYALTIES

ARTWORK BY ANNA ZHANG

*Nolan Watson graduated from UBC with a Bachelor of Commerce with Honours in 2001. He began his career at Deloitte as an accountant and scored the highest mark in Western Canada on the Chartered Accountant (CA) exam. At the age of 26, he joined Silver Wheaton Corp and became the youngest CFO of a New York Stock Exchange listed company. He is currently the CEO of Sandstorm Gold Royalties, a company he co-founded in 2008 that has reshaped the mining investment landscape since. In 2004, he founded Nations Cry, a charity dedicated to pursuing education-based initiatives in Sierra Leone. He is also a recipient of the Queens Diamond Jubilee Medal, an EY Entrepreneur of the Year, and is recognized as a Young Global Leader by the World Economic Forum.*

**NBR: How did Sandstorm come about and how did you get your start in Gold Streaming?**

Before Sandstorm, the first gold streaming company in the world was a company called Silver Wheaton, which has now rebranded itself as Wheaton Precious Metals Corp. It grew out of nothing into a multi-billion market cap company very quickly back in 2004 to 2009 and I was the first employee at that company. I was in my early 20's when I joined, I think I was 24 or 25. They made me the Chief Financial Officer of the company when I was 26. I'd been a qualified CPA and CFA for a whole year when I got that job. It was an amazing job—I technically got the world record for youngest Chief Financial Officer of any multi-billion dollar New York Stock Exchange listed company in the world.

I just sort of fell in love with the uniqueness and the need of the gold streaming model. I very quickly found myself so engaged with my job that I was working 120 hours a week. I slept—sometimes! If I wasn't sleeping, I was working. I would rent hotel rooms across the street from my office so that I could shower and sleep for four hours before going back to work.

When my wife got pregnant with our second child, she told me I needed to stop this and be a Dad. She was absolutely right and I'm glad she called me out on it. So, one day I went in and I quit my job. It was a hard thing to do; this was 11 years ago and I was in my mid 20's making a million dollars a year. I decided to put family first but I had no idea what I was going to do. In trying to figure it all out I realized I just really loved the business model, and that it hadn't been effectively applied in other commodities outside of silver. There were already a number of other entrepreneurs around the world who saw how well it worked with silver and were already starting up versions of it in gold. I decided that I wanted to launch one of the first companies to do so. Plus, when you're a CEO you have more job flexibility than when you're a CFO. I decided to build the company so I could continue doing the business model I love and also make it to my kids' Christmas concerts.

**NBR: What's the difference between Gold Streaming versus Royalty Financing?**

A royalty is an easier concept to understand. Usually a royalty is a small number, something like 2 per cent but it can range from 1 per cent to 4 per cent. How it works is you get 2 per cent of the mine's revenue, forever. A stream is something like that, except with a stream you get the right to purchase a fixed percentage of a mine's gold production for the life of the mine. Each ounce is purchased at a fixed artificially low number. For example, a stream contract might say that Sandstorm gets to purchase 10% of the mine's gold production for a payment of U.S. $500 per ounce of gold purchased.

Therefore, if you get to buy 10 per cent of a mine's production, which means a stream for 10 per cent of its production, it means that every time the mine produces ten ounces you get one of those ounces. You give the mine $500 for that ounce and then take it and sell it on that exact same day for $1600. You just made $1100 on that ounce on that very day. We do that over and over again with more and more mines. The next thing you know we're getting production to the tune of 70,000 ounces a year to our credit. Right now our average cost is about $180 an ounce so we're making $1320 an ounce. That's in U.S.

dollars, so that works out to just about $100 million of pre-cash flow per year starting next year.

**NBR: What's unique about the Gold Streaming model?**

I fell in love with the streaming model. I loved the industry and I really enjoyed what I did because the streaming model is a much more patient form of capital for mining, which is a very capital-intensive industry. Traditionally, banks lend money to mining companies to go build mines. This is often problematic because banks usually require a term loan that is no longer than four to five years. Sometimes it takes you three years just to build a mine and it's tough to make enough profit to pay back the bank within that remaining year or two.

Even when you do build a mine, if it doesn't work for the first couple years and isn't making copper or gold or whatever it's supposed to make, you have to go through a period of one or two years fixing everything you built wrong until it starts working. Debt is an enormously bad idea for mining companies. Gold Streaming on the other hand is a form of capital where you get the money upfront to build a mine. We don't worry about it, and you just have to pay us back over the next thirty years. We end up making a lot of money, and you don't lose your mine.

**NBR: Although Sandstorm doesn't have direct control of the mining operations since it is a financier, how has it integrated Environmental, Social and Governance (ESG) factors into its business process?**

The World Economic Forum organizes an annual conference with all the world and business leaders—this year it was held in Davos, Switzerland. They have a separate program called The Young Global Leaders through which they attempt to identify people who are successful in business and have been involved in humanitarian work, charities, or politics and who want to give back to the world. They try to identify them while they're young and train them how to view the world and what we can all do to restructure it, make new laws, and create a better future.

The Young Global Leaders program is effectively a six-year world leader training program where they send you to Stanford and Oxford and Canada only gets about one spot a year. Seven years ago I got chosen as Canada's person so I've been inundated and working with the top environmental CEOs of the largest environmental organizations of the world, politicians attempting to do ESG, and Ministers of the Environment for years now. Some of them have become my best friends. In fact, one of the guys who got in years before me from Canada is in charge of developing and maintaining the Sustainable Development Goals for the United Nations. Through that process, he and many other people realized that a whole bunch of the Sustainable Development goals to make the world a better place from a ESG perspective are in areas that regular industries don't reach. They're very remote and extractive industries like mining, oil, and gas. So I've been working with them for quite a period of time trying to figure out how we can heighten the United Nations Sustainable Development Goals to get mining companies to align their values to them. That way, from an ESG perspective, we can all make the world a better place.

> ***"Spend more time thinking about purpose.***

Sandstorm has just joined the UN Global Compact and we are focused on that on a daily basis. What that practically looks like inside our business is that we get to choose which mines we allocate capital to and which ones we do not. Part of our process of making that investment decision is both a social and an environmental assessment. Our technical team of geologists and engineers go through this process. There are some mines that are totally benign environmentally and they won't cause any long-term damage. There are others that will cause long term damage when you attempt to mine them. They've just got certain water and sulphur properties you shouldn't dig up. We will not invest in a project that we think will cause environmental damage whereas a lot of other forms of capital don't care about that. Through our existence and our decision-making process, we feel that we are lowering the cost of capital for mines that have good environmental properties and increasing the cost of capital for mines that have poor environmental qualities.

**NBR: You've mentioned how this industry is very capital intensive. You launched Sandstorm at the end of 2008 and beginning of 2009 which, given the Global Financial Crisis at the time, would have been a difficult time to raise a significant amount of initial capital to start Sandstorm. How did you overcome this?**

It was just sheer force of desperation. No one was writing cheques for any financing for any industry in all of Canada, and certainly not a 29-year-old kid from South Surrey. That was just not on the table. Me and another guy, Dave Awram, who helped form Sandstorm with me, literally just got on airplanes and we went to every city in the world that we thought might have capital for us. Obviously we went to places like New York, Chicago, Boston, and Toronto, but we were so desperate for capital we also went to places like Winnipeg. We decided we were not coming home until we had 50 million dollars and sure enough, we found 50 million dollars at the bottom of a great recession. Past reputational success helped; there were people who were willing to take a flyer because they had followed our success at our previous company and who had followed my career. It helped that it was gold because people were worried about the world wide financial crash and gold is a way to protect against it because it maintains its value during times of uncertainty. Our business was the first major launch of a new financing company in all of Canada coming out of the recession.

**NBR: What's your secret to success, if there even is one?**

There is no secret. No one thing. Although there is this: I can't spin this into a cute little one liner quote, but it's as simple as realizing the main lesson from the children's book "The Emperor's New Clothes". I think young people—certainly me when I was in university—have this view that the titans of the industry are these great people who have all of these intangible skills that they are born with and that others don't have. I thought I was just going to try to do what I could to carve out a decent career for myself. I thought those people just had something special that regular people like me and my classmates in Sauder didn't have. That is absolutely not the case.

> *"If you can identify a deep sense of purpose in what you do, you will get motivated to do it.*

I came to this realization after I won a gold medal in accounting. My father was a CPA and I used to hang around all these super smart accountants who made lots of money and were intelligent business people. I thought those people had something that I didn't. Then when I beat all of them on the CPA exam through just pure hard work, I realized that they weren't actually all that smart. By the way, I studied so hard because I was just literally terrified of failure. You start talking to a lot of CEOs and you realize that they're kind of hard-working, but not any more intelligent than the average person. You start realizing that there's nothing that any of these people have that you don't. It's just like in "The Emperor's New Clothes". There's nothing special about them at all. And when you realize that, all of a sudden the possibilities are endless. You can beat any of those people if you think strategically and work harder than they do.

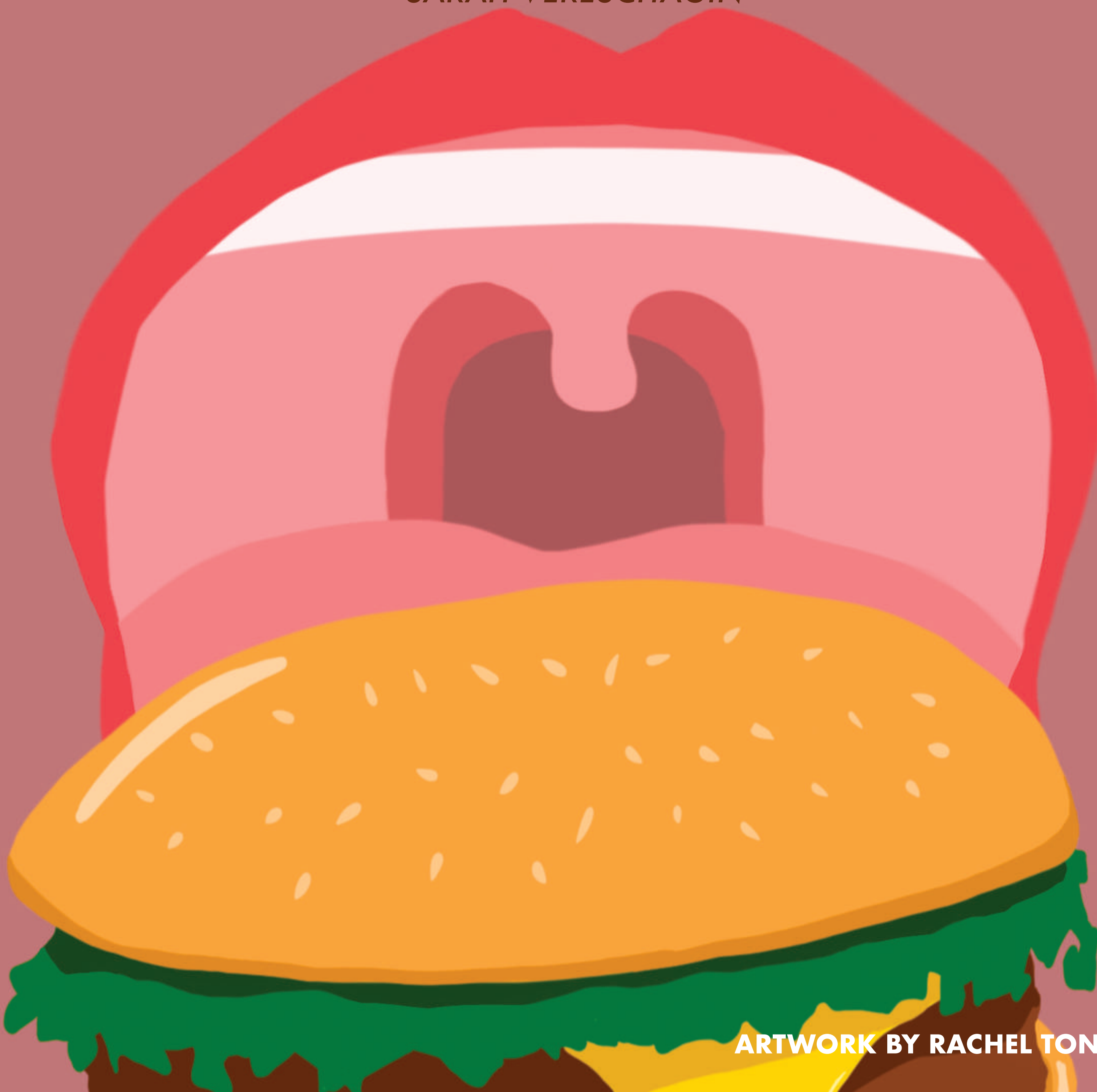
**NBR: What are some pieces of advice you have—in life or work—for young people who want to be future business leaders and live a meaningful life?**

Spend more time thinking about purpose. In fact, not only more time, but more time than other people. A lot of people ask me what motivates me. The answer is essentially one thing: purpose. I have a charity that I started on the side and the purpose of that is very obvious; I'm helping young, poor girls in Sierra Leone get educated. I'm no more motivated for that than I am in my day job in mining. I know it seems like mining has a lot less purpose than helping young poor girls get educated. But it's just as important or maybe even more important because if I'm not there doing it, it's going to get done a different way. If it gets done a different way, then maybe the environment suffers dramatically. Maybe entire communities and cities suffer dramatically and people lose millions or billions of dollars that they wouldn't have if I just showed up for work that day. Maybe, just maybe, it's companies like ours driving the economy forward that make taxation possible for all the social programs and health care we have. If you can identify a deep sense of purpose in what you do, you will get motivated to do it.

# BEYOND THE HYPE:

## CAN BEYOND MEAT SURVIVE THE COVID-19 PANDEMIC?

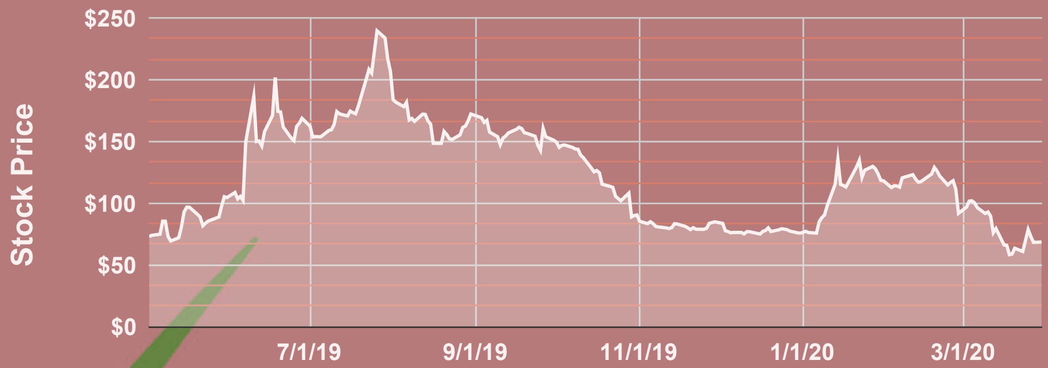
*SARAH VERESCHAGIN*



**ARTWORK BY RACHEL TONG**

## Beyond Meat, Inc. (BYND)

***NasdaqGS - Currency in USD***




Designed by Emily Nold. Source: Yahoo Finance

### COVID-19 and a Global Recession

Over the last decade, numerous institutions have attempted to use the global economy to act as a buffer for global economic shocks instead of exaggerating the effects of these disasters. Historically, we have seen five major stock market crashes over the century with the most recent being the Global Financial Crisis of 2008. However, the global Covid-19 pandemic is testing the resiliency of markets as world leaders scramble to minimize the impacts of the virus on the economy. On the close of Thursday, March 12th, 2020, the S&P 500 fell 19.80%; a relatively small dip in comparison with the Tech Bubble of 2000 (-49.1%) or the Global Financial Crisis of 2008 (-56.8%).

However, it seems as though the food and beverage industry may suffer smaller long-term consequenctes  in comparison to other industries such as travel, consumer goods, or shipping companies. Amongst those taking a hit is plant-based meat alternative company Beyond Meat. Founded in 2009, Beyond Meat aims to address issues of human health, climate change, constraints on natural resources, and animal welfare. The plant-based product first entered the market in 2012 and formed perhaps its most notable major partnership with A&W in the summer of 2018. Since then, it has exploded into over 58,000 retail and food service outlets across the globe.

In the last month amongst Covid-19 concerns, the Beyond Meat stock has plunged by 37.14%, leaving investors highly uncertain about the future. Other notable leaders in the plant-based meat alternatives market taking a hit include Nestlé (-11.02%), Hormel Foods (-12.72%), and Tyson Foods (-34.78%). All three corporations are direct competitors to Beyond Meat after launching their own plant-based burgers, meatballs, and chicken nuggets in 2019. This industry-wide decline comes from deteriorating supply chain management, loss of human capital due to illness and preventative measures, and reductions in consumer spending as people brace for a potential recession. It is evident that everyone is taking a hit, but who is experiencing fundamental losses that will impair long-run future earnings?

## A Changing Competitive Landscape

Distinguished analysts from both Oppenheimer and J.P. Morgan maintained a hold rating for the BYND stock, with a $115.25 average price target. This news comes after estimated 2020 earnings per share of $0.32 for Beyond Meat, in comparison with $4.85, $1.80, and $6.32 for Nestlé, Hormel Foods, and Tyson Foods respectively. While Beyond Meat's aforementioned competitors enjoy revenue streams from a variety of different product lines, they are all new entrants into the plant-based meat industry and desperate to grow their market share.

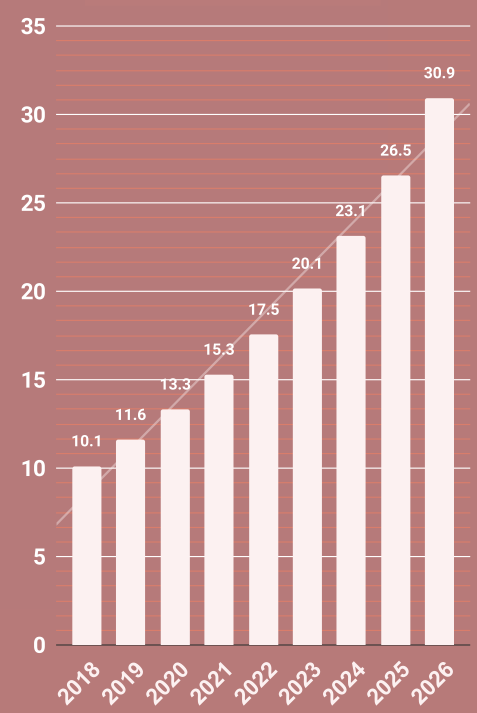
Since 2009, Beyond Meat has relied on strong company fundamentals and a first-mover advantage to grow into the powerhouse they are today. More than their sought-after product, a large portion of their success is attributed to strong management and their agile business strategy that allows them to rapidly adjust to changing market conditions. The first ever product launch for Beyond Meat was Beyond Chicken Strips in 2012. Despite investments from tech-giants Bill Gates and Biz Stone, the product was not well received by consumers. Instead of continuing to invest in R&D or promotional efforts, Beyond Meat instead pulled the product from the market and pivoted the company's resources towards the creation of the renowned Beyond Burger. Since then, Beyond Meat has enjoyed strong financial performance, and became profitable in Q3 of 2019.

So, what can investors of Beyond Meat expect amidst a global financial crisis? Despite a stock bounce on Friday, March 13th, 2019, history indicates that stocks will continue to pummel before the markets reflect a risk-adjusted price. John Authers, senior editor at Bloomberg, draws comparisons between the Covid-19 crisis, the Black Monday crash of October 1987, and the Lehman Brothers bankruptcy of 2008. He stresses that when influential players scramble to minimize losses and sell assets, the entire market experiences violent and swift descents in global stock prices. This causes a ripple effect of panic amongst investors, and can indicate continual future declines long after government-catalyzed bounces -(Authers, 2020).

As Authers suggests, if historical market shocks from 1987 and 2008 are indicators of what is to come, it seems unlikely for the market to recover within the next year. Thus, until the markets can re-adjust to changing economic conditions, it is in some respects a war of attrition to see which firms can remain afloat.

**Forecasted market value of plant-based meat worldwide 2018 to 2026**

***in billion U.S dollars***




Designed by Emily Nold. Source: Statista

## What Does the Future Hold for Beyond Meat?

Unlike many of Beyond Meat's competitors in the plant-based meat industry, Beyond Meat has already achieved economies of scale which will prove useful as the world braces for a potential recession. Many smaller corporations and new entrants may struggle to turn a profit due to high start-up costs. In fact, the Covid-19 shock may act as a barrier to entry by reducing market attractiveness for not only the plant-based alternative space but all industries. This can hurt not only consumers, but also the environment as plant-based alternatives produce considerably less carbon emissions than animal products. Regardless, Beyond Meat may be better equipped to rebound through tough times than new competitors.
However, CFRA Equity Analyst Arun Sundaram predicts that Beyond Meat will lose its market share to food giants entering the industry due to their "vast global footprint and embedded relationships throughout the supply chain" (Garcia, 2019). Beyond Meat has limited resources with a market valuation of $4.5 billion in comparison to food powerhouses Nestlé ($272.18B), Hormel Foods ($22.8B), and Tyson Foods ($19.17B). Sundaram also notes that plant-based meat alternatives are viewed by consumers as a "discretionary item" due to their high prices, and it is likely that the "alternative meat industry could face high volatility during an economic slowdown" (Garcia, 2019).

In fact, Oliver Garret from Forbes magazine states that "Beyond Sausage, another one of [Beyond Meat's] products, sells for around $10.30 per pound. That's 70% more than what pork sausage sells for." Studies conducted by the Boston Consulting Group found that 73% of surveyed consumers stated that they will only purchase necessity goods during periods of economic crisis. This, in combination with the Covid-19 global pandemic, results in consumers stockpiling enormous quantities of canned goods and household staples such as rice, pasta, and bread. Beyond Meat's target market is the meat-eating population that wants to improve their environmental footprint. However, it seems highly unlikely that consumers will pay a premium for plant-based meat alternatives during these trying circumstances. If consumers do decide to purchase plant-based alternatives, it is possible that they will gravitate towards more affordable products offered by Beyond Meat's competitors due to low switching costs.

Regardless, there is still great uncertainty about the future of both Beyond Meat and the industry as a whole. While it is possible that Beyond Meat can leverage its strong management, substantial market share, and brand recognition to endure through economic volatility, they may fall short to their competitors with vast supply chains that can mitigate challenges generated by the Covid-19 pandemic. Although they may suffer short-run losses due to decreased sales and supply chain disruptions, it seems unlikely that the Covid-19 pandemic will be the final blow to knock Beyond Meat into bankruptcy. In fact, UBS projects that the plant-based meat industry will explode from $4.6 billion in 2018 to a conservative $85 billion by 2030. Once markets reflect risk-adjusted prices and consumer spending increases, the Covid-19 pandemic may be beneficial to Beyond Meat in the long run due to reduced new-entrants into the highly competitive industry, resulting in a larger market share and greater profits for shareholders.

As we look towards the future, it is expected that the first to reflect risk-adjusted prices will be Fortune 500 companies as they eventually trend bullish. Soon after, Beyond Meat's share price will follow suit. While no one knows what to expect for the future, one thing is certain—Beyond Meat will continue to be a company to watch for in the future.

Personally, I hope the Covid-19 pandemic does not influence the long-run competitive landscape of the plant-based meat industry – and I suspect it won't. While carbon emissions have been temporarily reduced due to travel bans and self-isolation, the battle with climate change is far from over. Despite consumers (especially youth) preaching about climate action, numer ous studies have shown that the environmental impact of their purchasing decisions does not generally influence their shopping decisions. Therefore, it is essential that the industry continues to innovate and push the boundaries of plant-based foods in order to convince consumers to give up their favourite burger or chicken strips. Whether or not the Covid-19 pandemic makes a financial impact on the company's bottom line is still uncertain, but as a loyal Beyond Meat consumer, it has an impact on me.

# THE NBA AND SPOTIFY: A FAN WINNING ASSIST

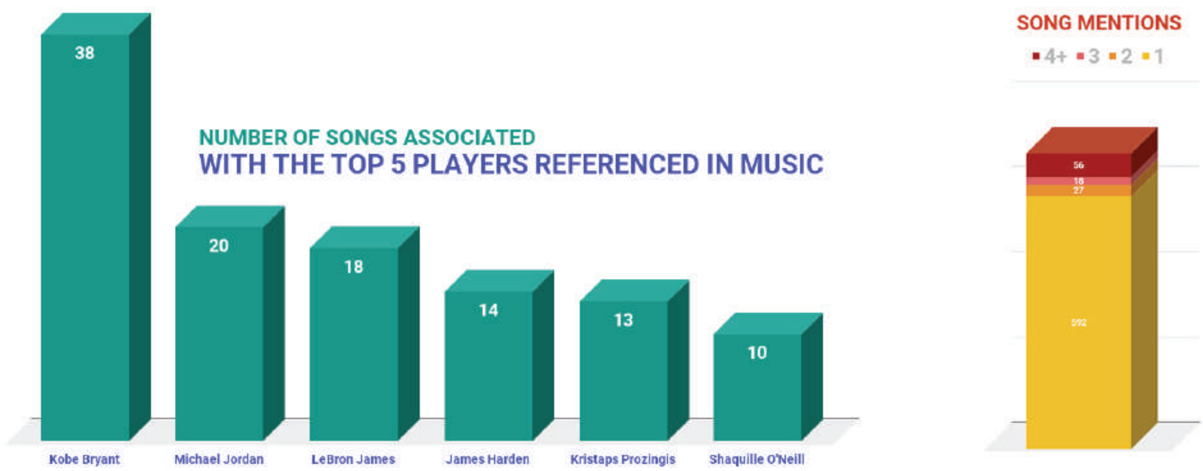
*SAAVIN LIDDER*

ARTWORK BY SOPHIA FUNK

## Between the Lines

Garnering millions of viewers globally per game the National Basketball Association (NBA) is the fourth largest sports league by revenue in the world. Most of the NBA's fans hail from the U.S. and Canada since 29 of its 30 teams are concentrated in the U.S. However, less than one percent of all NBA fans worldwide have ever set foot in an arena. For this reason, the NBA is aiming to boost fan engagement and viewership by enhancing the fan experience outside of the physical venue.

sioner Adam Silver has commented that within the next five years, conventional television will remain the main channel for viewership. This is partly attributed to the lengthy development span of these projects. Declining viewership this past season means that the NBA must capitalize on opportunities to capture its younger viewers until more advanced technologies are introduced.




Designed by Emily Nold. Source: NBR Music Index

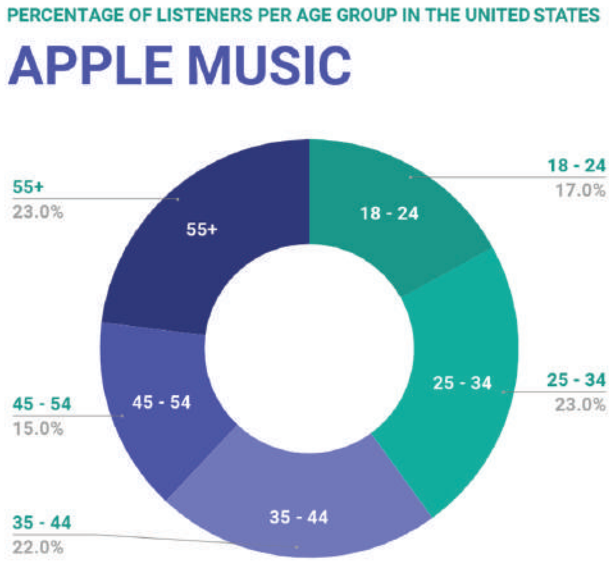
The NBA's young fanbase—relative to other major North American sports leagues—proves to be both a blessing and a curse. A core audience predominantly under the age of 30 offers an opportunity to foster a long term relationship with fans. However, engaging them is difficult when intense competition for their attention exists not just from other sports leagues but social networking apps and video games as well. The average viewer watches just 48 minutes of the usual two and a half-hour game; a significant amount of viewers are lost during commercial breaks. This limits TV viewership and in turn, reduces revenue generated from advertisements.

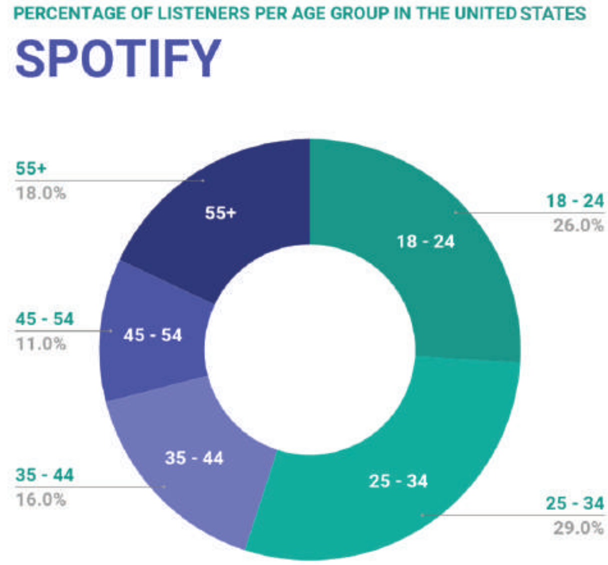
To combat this, the league has several projects in progress, including the creation of an Augmented Reality (AR) headset that displays live player stats alongside a game. That being said, NBA Commis-

## Play it Back

One engagement strategy that the NBA and other sports leagues are eyeing (if widespread legalization were achieved across the U.S.) is sports betting. Although it is projected to be highly lucrative, it doesn't create a sustainable competitive advantage because it is sport-agnostic. Even with a first-mover advantage, the NBA would have to compete to maintain its share of the North American consumer's appetite for betting.

Instead, the NBA should tap into its symbiotic relationship with the music industry. NBR'S NBA Music Index tracked pertinent details about songs associated with the NBA. It pinpointed over 241 current and former NBA players that have been mentioned in a song's lyrics or title since 1984. To




Designed by Emily Nold. Source: Verto Analytics

illustrate, the number of NBA players in songs is 1.9 times that of MLB players, and on average NBA players are mentioned more than once in a song, denoting the meaningfulness of the mentions. For example, Post Malone's career launched after "White Iverson"; a song in which he related his struggles as an artist to his favourite NBA player, Allen Iverson, mentioning him more than four times. Similarly, Lil Wayne wrote "Kobe Byrant" in support of the Lakers after their loss to the Boston Celtics in the NBA 2008 Finals. The songs span a variety of genres but are predominantly hip-hop; a testament to the players' and in turn the league's prevalence and deep relationship with the genre. Drake emphasized in his 2010 song "You Can Thank Me Now" that "sports and music are so synonymous [because] we want to be them, and they want to be us." This could not be more true; more than 17 NBA players have produced or made songs themselves.

Above all, Drake's involvement with the Raptors, especially at the height of the 2019 Playoff Series, demonstrates how engagement is best cultivated by drawing upon the unique subculture of a team, which includes its music. Connecting with core fans through audio instead of visual mediums is even more important for the NBA as these fans are indicating signs of screen burnout after spending up to 11 hours a day with a screen. The NBA should partner with Spotify to leverage the game's unique relationship with the music industry by creating a Music Trivia Game. This strategy, focused on team subcultures, active consumption, and co-creation, takes advantage of the projected growth of the music streaming industry.

## Spotify Runs the Point

With Hip-hop dominating the music scene in the U.S. and Canada, the Music Trivia Game (MTG) would likely gain popularity among fans in these regions. Partnering with Spotify makes the NBA's young fans more reachable; within the U.S., Spotify is the most popular streaming platform among those under 30. Moreover, Spotify's total global listenership has experienced a 29 percent year-over-year increase, which is double the rate of other platforms like Apple Music. While Apple Music may have more subscribers in the U.S, Spotify still has more active users, further demonstrating the reach it offers the NBA.

Spotify's growth is in part due to the popularity of the playlists it creates. It has a rich data trove and industry-leading streaming intelligence; it has utilized insights from its user data to create playlists in addition to bespoke campaigns for brands in the past. For example, it analyzed the moods of its users by age based on streaming of mood-themed playlists and found that those under 30 listen mostly to "lit" and "happy" playlists. Such terms could not be more synonymous with the hype that fans desire to cultivate within team subcultures. The need for such playlists exists; fans have already attempted to create team-specific playlists on Spotify. With its meticulous understanding of audio best practices, Spotify can help the NBA fill this gap most impactfully.

## Three-Point Play

The foundation of an NBA-Spotify partnership should be the creation of an official NBA Spotify account to house curated team-centric playlists. By drawing upon insights from a model similar to NBR's Music Index, Spotify could curate songs based on content. Specifically, it could select songs based on genre and relation to specific players and teams. Additionally, Spotify's streaming intelligence would enable it to identify songs streamed after and near games. Selecting such songs based on context (event and mood) would leverage the regional culture surrounding a specific team and result in an original team playlist. Combining content and context songs in a playlist creates a hybrid playlist: the latest, most popular paradigm in music consumption that increases the likelihood of a large audience.

Additionally, player-centric playlists such as "Lebron's Mix" should be utilized to further grow the account's audience. Relative to other sports leagues, the NBA has increasingly supported players in utilizing fashion, celebrity, and music-related connections to extend their influence beyond the hardwood. Including such playlists would create another avenue for fans to identify with their favourite players.

> ***"Spotify's research indicates that podcasts are increasingly important to younger listeners within the streaming space: its podcast audience nearly doubled in 2019.***

Fans could also engage with players through exclusive commentary podcasts hosted on the NBA's account. Spotify's research indicates that podcasts are increasingly important to younger listeners within the streaming space: its podcast audience nearly doubled in 2019. The commentary podcasts would capitalize on listeners switching from screens to audio to meet their busy lifestyles. They should feature sports analysts discussing the latest NBA news and interviewing players and relevant artists to reinforce basketball's connection to music. Ultimately, this could transition the NBA away from producing content purely for broadcasters to better meet the needs of its core fans. One of Spotify's major focuses is on the emerging podcast streaming space; this would add to the growing number of exclusive podcasts it hosts and create greater value for its users.

## The Fast Break

The second component of the partnership should be the MTG, which could appear once per game during a commercial break chosen at random. The screen should be split into sections: one half dedicated to the MTG, with a smaller section displaying an advertisement, and the other displaying the live game. The multiscreen mode caters to short attention spans by creating snackable content and the MTG enables participation, which is crucial to effectively engaging young consumers. Although advertisers may not be keen on the smaller advertising space, the multi screen mode and randomness of its occurrence could extend the time the average fan watches a game. Therefore, ads could experience increased overall exposure.

To play, fans at home would launch a Spotify integration from the NBA mobile app and log into their Spotify accounts. The questions should be posed by a host—either an NBA player or artist with strong association to the league—on the TV screen. Questions should be based off of the NBA podcast or playlist content on Spotify. Coupling this with song specific information derived from a model similar to the Music Index could drive listenership of the NBA's content. To progress through the game, users would have to correctly answer questions that gradually increase in difficulty by selecting an answer on their phone. Scores should be based off of the number of correct answers and speed of selection, and users could accumulate points over time. Winners could earn prizes such as exclusive merch, early access to new tech like the AR headset, or a VIP experience to a game. To incentivize Spotify subscribership, only premium subscribers would be eligible for prizes. The game could also enable co-creation: during shorter breaks, the screen could split into sections again to allow fans to vote for songs they feel best represent a team and should be placed on a team's playlist. The song voting options would be drawn from Spotify's streaming intelligence.

partnership with the NBA would be exclusive to its platform, Spotify would be able to further establish a unique cultural position and differentiate itself from its competitors.

Spotify has a strong international subscriber base. However, it has more subscribers in Europe than North America. Since this partnership would have the most impact in the U.S. and Canada, it could enable Spotify to capture more users and subscribers in these regions. Coupled with the ability to house exclusive NBA podcasts and content, this


To reinforce fan engagement, Spotify could create personalized social media "share cards" for MTG players similar to its enormously popular "Spotify Wrapped" campaign. These would highlight user MTG achievements such as prizes won, leaderboard positions, and points accumulated. Additionally, the promotion strategy should also entail players or artists featured in NBA podcasts leveraging their social media presence to promote the NBA's Spotify account.

## Spotify's Secondary Break

Spotify actively seeks to connect with "micro-communities" across the world. It has identified that the Gen Z cohort celebrates and creates micro-communities that aren't restrained by geographic boundaries. The NBA is perfect for leveraging micro-communities; each team has an international fanbase with a distinctive subculture and identity. Since a

partnership could ultimately allow Spotify to continue to solidify its strong foothold in the music streaming market.

## The Baseline

Sports based businesses like the NBA thrive at the intersection of entertainment and tech. By partnering with Spotify to create the Music Trivia Game, the NBA creates a space for all fans, even those who aren't stats diehards, to connect with the players and the game. Strengthening fan engagement extends game viewership which in turn increases exposure to advertisements. Similarly, with this partnership Spotify is able to generate exclusive content to continue building a loyal subscriber base in the U.S. and Canada. All the NBA and Spotify have to do is run the offense.

# MELTING ASSETS:
## A CASE FOR BANKS' DIVESTMENT

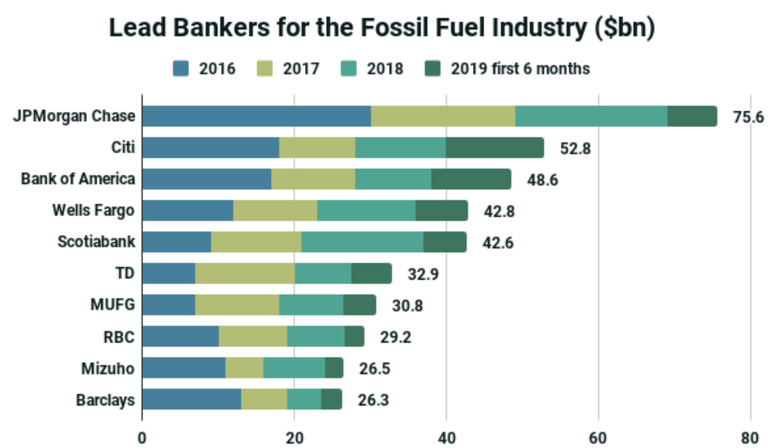
NICHOLAS HARTERRE

ARTWORK BY MILLENIA KITIKUL & LIZI MA

## Lights, Camera, (Climate) Action

The year 2020 marks the start of the decade climate action. Recently, public opinion has shifted—and continues to shift—in favour of climate conscious policies. As a result, governments across the globe have responded; several administrations have begun to seek efficient economic policies to mitigate the impact of climate change. However, as these social and political powers continue to support advancements in renewable and alternative energy, uncertainty surrounding the timing and extent of renewable investments has bolstered within economic sectors. This is especially evident within the investment banking industry.

However, despite these actions, nonrenewable investments by the banking and financial sector are not slowing down. Large banks like JP Morgan Chase, Royal Dominion Bank of Canada, and even Goldman Sachs still continue to invest in carbon-intensive projects. Globally, the top 30 banking firms invested over $1.9 trillion USD in fossil fuel expansion projects between 2016 and 2018. With the continued investment in nonrenewable energy by big banks such as Goldman Sachs, promises and demonstrations of climate consciousness appear as a false front. With the global threat of climate change growing expone ntially, demonstrations of environmental showmanship—even $750 billion pledges—are



Designed by Emily Nold. Source: Bloomberg

Goldman Sachs has been the first influential power to join several nations in pushing for climate action. It has committed a whopping $750 billion USD over the next decade in "financing, investing, and advisory activities" surrounding renewable energy. The firm's contribution dwarfs the initiatives of many countries in size and scope. Following Goldman Sachs' investment, Blackrock CEO and Chairman Larry Fink issued a bold call-to-action, urging CEOs around the world to recognize climate risks as investment risks. Specifically, Fink stated that "[sustainable] climate-integrated portfolios can provide better risk-adjusted returns to investors." With two of America's most influential firms pushing for environmental-oriented revisions of their current financial activities, Goldman Sachs and Blackrock have sent ripples throughout the global banking industry.

rendered moot without nonrenewable divestment.

## A Risky Investment

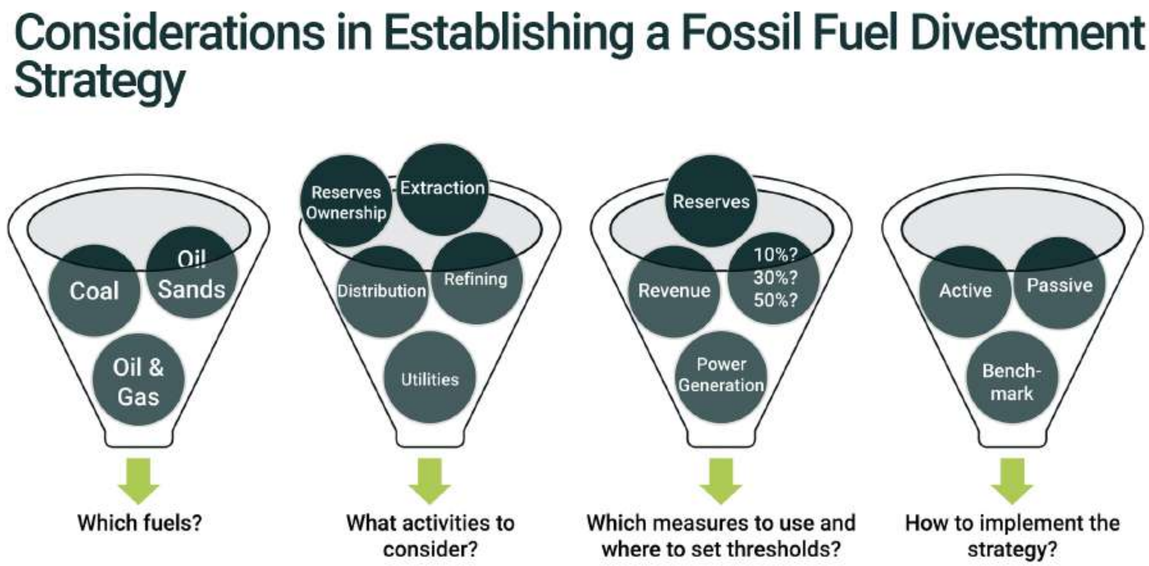
Divestment often refers to institutions actively removing holdings in fossil fuel stocks and funds, and reinvesting in companies with lesser environmental impact. In this case, divestment refers to the shift in investment focus away from traditional energy and towards renewable and alternative energy. This implies a long-term transition of funds from carbon-intensive energy sectors to emerging alternative sectors, such as renewable energy, electric transportation, and carbon-capture technology.

Fortunately for our planet, banks have a growing incentive to divest their portfolios from fossil fuels. Former Bank of Canada Governor Mark Carney, leader of the UN's Climate Action and Finance initiative, has called for widespread divestment of nonrenewable energy, warning global banking, insurance, and finance sectors of the catastrophic impacts of climate change. Insurance companies have already begun to face the repercussions; specifically, the growing frequency of natural disasters have inched insurance premiums towards unaffordable levels. Munich Re, the world's largest reinsurance firm, blamed climate change for 2018's devastating wildfires in California, which incurred over $24 billion USD in losses. Overall, insurance companies have been scrambling to proactively mitigate the risk climate change presents, with many of them divesting from fossil fuels. This stress on the insurance and financial sector will only continue to grow, threatening the stability of the world's economic system and forcefully affirming Carney's calls to action.

Carney also pointed out another key fact: the financial risks of climate change may render the assets of some of the world's largest companies utterly worthless. If banks continue to invest funds into firms and projects negligent of climate change, they open themselves up to unforeseen liabilities. For example, PG&E, a California utility provider, recently filed for bankruptcy following its role in sparking 17 out of the 21 major state fires in 2017. Heralded as the first corporate death by climate change, this major blow to investors further illustrates the gravity of Carney's warnings. As climate change threatens to accelerate the dissipation of firms' and investors' assets, the balance of the financial system as a whole is in danger of toppling.

## Divestment: Who Cares?

The growing implications of climate change should ignite immediate action amongst banks. From a basic level, banks' objectives should strategically balance maximizing returns with their fiduciary duty to their respective clients. We are those respective clients and we should heighten the need for banks to seriously consider climate change when making investment decisions if they aim to create sustainable returns and viability. Millions of people place money into savings accounts with their banks every year. Whether it's a student savings account or a pension fund, the middle class saves for different reasons; for school, home renovations, or for retirement. What we must remember is that this money is invested by banks into company stocks and funds. That is our money, our savings, and our pension funds that have been invested into these carbon intensive projects. These are projects that have and will continue to fuel climate change and its negative consequences on our planet. Put simply, we should care about divestment because where our money is invested determines our profit.



Designed by Haaziq Karim. Source: MSCI ESG Research

The moral question of corporate responsibility is increasingly important and relevant within the banking industry, which has historically been under-regulated. From national savings to private financing, and in turn, economic growth to financial crises, banks are at the forefront of national economies. As a result, the actions of banks catalyze both economic and environmental issues that ripple throughout the globe. Should banks have a responsibility to consider the societal externalities of these investments? I firmly believe so. Banks should be transparent with these investment decisions and should disclose the financial risk of climate change on our investments. Overall, banks have a responsibility to seriously consider the divestment of their investments—our assets—from fossil fuels.

## The Choice is Clear, but Hindsight is 2020

Banks today are presented with an unprecedented opportunity, as well as an unprecedented challenge. They can continue to invest in fossil fuels, uphold the status quo, and deal with the challenges of increased risks and stresses to the financial sector years down the line, possibly suffering major losses. However, this will not just be a loss for giant corporate banks. It will be a loss to the environment and a sustainable future for our generation, a detriment to the economy, and create financial ramifications surrounding the investments, savings, and pensions of the middle class.

Today, banks could choose to begin divesting their funds from fossil fuels. Such a proactive move would protect these firms, the financial sector, and investors' assets from climate change-related financial risks. Doing so would spur greater capital flow to the renewable energy sector, fueling the transition to an economically and environmentally sustainable economy much quicker than governments could alone. The long-term growth of these renewable sectors could cover the possible short-term costs to divestment. It would also help guarantee a more sustainable future for our generation, and the generation after. Overall, this would be a win for the economy, a win for our environment, and most importantly, a win for middle class investors.

If one assumption can be made, it is that banks will likely choose the status quo for now. History has taught us that banks will often act in their best interest. The least we can do for now, as worried investors and active citizens, is to hold our banks accountable and demand sustainable uses of our money. After all, it is our money and our planet.

# IN THE MOMENT: MINDFULNESS MEDITATION AND MORAL JUDGEMENTS

*JESSYE PABUSTAN*

ARTWORK BY KELLY YE

*Jessye Pabustan is a third year Bachelor of commerce student in the Commerce Scholars Program and is working with Professor Yann Cornil within the Marketing and Behavioural Science Division. In this Working Knowledge piece, Jessye discusses the research she is currently conducting about mindfulness meditation and moral judgements. She came to study this through interest in Professor Cornil's past work.*

## The Mindfulness Wave

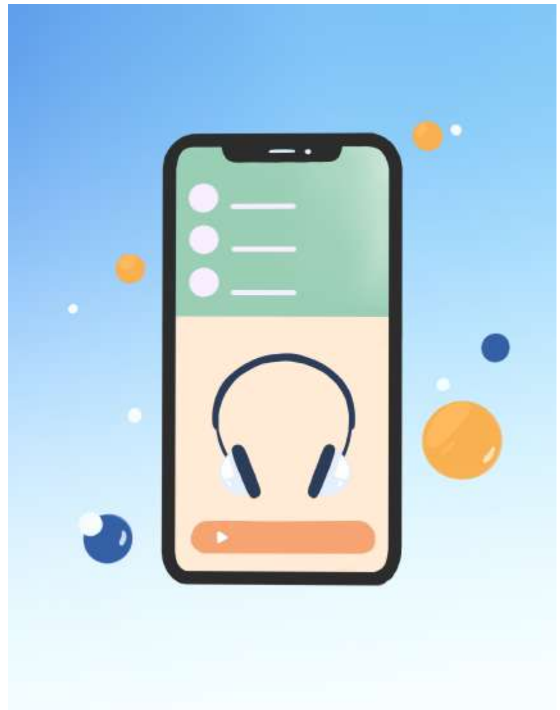
It is hard to ignore the growing conversation on mindfulness meditation. Guided meditation videos have generated millions of views on Youtube and Apple's top iPhone app of 2017 happened to be Calm, a guided meditation app. The applications of mindfulness have begun to extend beyond personal wellness, making waves within the corporate world with 52 per cent of employers offering mindfulness training in 2018. It seems to work—a study at H.A. Montgomery Company, a chemical plant in Detroit, found that upon implementing mindfulness practices, absenteeism was reduced by 85 per cent, injuries fell by 70 per cent, and profits increased by a staggering 520 per cent. Google has also caught the mindfulness wave; the influential company offers a course titled 'Search Inside Yourself' which focuses on the development of emotional intelligence. The program is used by Google as a leadership development tool and is now recognized and offered globally.

In the scientific community, mindfulness has also gained popularity as an area of research Between 2000 and 2015, the number of published scientific journal articles discussing mindfulness increased from below 200 to over 1000. (Van Dam et al., 2018). With mindfulness becoming more prevalent everywhere we turn, I wanted to explore its implications a bit further. My question was, does mindfulness meditation have an impact on our moral judgements? Immoral and unethical decision making has always been a relevant issue in business, therefore, these findings could have significant corporate applications.

## Mindfulness and Academia

My research began by examining the current literature surrounding mindfulness. Interestingly, I found that mindfulness meditation stems from Buddhism. The Buddha proclaimed that meditation quieted the source of ill-being: the ego. However, researchers have found evidence contradicting the Buddha, suggesting that mind-body practices such as meditation and yoga may actually boost one's ego (Gebaeuer et al., 2018). According to a study analyzing non-control condition participants practicing yoga and meditation, many perceived themselves better than the average mediator or yoga class participant, overemphasized their prosocial traits, and had higher levels of self-reported self-esteem.

What I found particularly interesting was how the researchers measured the extent to which participants emphasized their prosocial traits. Gebauer et al. used The Communal Narcissism Inventory (CNI), which measures how much a participants agrees with sentences like "I am the most helpful person I know", "I am the most caring person in my social surrounding", and "I am extraordinarily trustworthy". I began to see how the CNI overlaps with Tappin and Mckay's (2016) Moral Superiority Index (MSI). The MSI was inspired by how most people believe they are just, virtuous, and moral, and regard the average person as less so. It gets individuals to rank how highly they score on a list of traits such as "honesty", "principledness", and "trustworthiness" as well as how high they believe the average individual scores on each trait.



Both of these conceptual variables (communal narcissism and moral superiority) measure the degree to which people inflate their moral and socially desirable traits. The MSI focuses more on the morals while the CNI emphasizes the latter. Given the similarity between the two, I began to wonder: if those practising mind-body practices such as mindfulness meditation score high on the CNI, would they be likely to score high on moral superiority?

## Mindfulness and Moral Decision Making

This question further fueled my curiosity as I began to connect it to existing research on moral decision making. As it turns out, Rudy and Scweitzer (2010), found evidence suggesting that ethical decision making is influenced by mindfulness. Participants ranking high in mindfulness reported higher likelihoods for an honest representation of facts during negotiations and engaged in less cheating when self-grading an anagram exercise. The authors theorized that mindfulness draws one's awareness of the thought process behind decision-making. This, in turn, renders it more difficult to justify larger moral transgressions.

***"Therefore, it is possible that mindfulness meditation increases acceptance, increases moral superiority, and affects the harshness of an individual's moral jugments of others...***

Further, the results of their study indicate that mindful participants scored higher on the Self-Importance of Moral Identity (SMI) scale, indicating stronger importance on upholding a high moral standard. This presented the perfect space for me to carve out a niche. I hope to contribute to the growing body of research of mindfulness meditation practices by examining the effect it has on an individual's moral judgments of others': transgressions. Gebauer et al. (2019) explored the effects of mindfulness on communal narcissism but did not look at the effects it may have on moral superiority. This caught my attention since I believe moral superiority may be impacted by mindfulness given its positive relationship with higher self-importance of one's moral identity (Ruedy & Schweitzer, 2010).

I felt it was even more of a pertinent subject to explore since most of the existing research on mindfulness and morality has focused on only one of its dimensions. Researchers Lian et al. (2019) distinguish two different components: mindful awareness and mindful acceptance. Mindful awareness is increased awareness of the present moment's experiences, emotions, and desires, and has been found to aid in the emotional regulation of aggressive behaviours. Comparatively, mindful acceptance, which consists of an accepting attitude towards the present moment's experiences without attributing judgments to them, did not play as large a role in reducing aggressiveness. Thus far, existing research has focused only on the awareness dimension and not the acceptance dimension

Therefore, it is possible that mindfulness meditation increases acceptance, increases moral superiority, and affects the harshness of an individual's moral judgments of others via acceptance and feelings of moral superiority. If mindfulness meditation has a more significant effect on acceptance than moral superiority, I hypothesize that mindful individuals will be more accepting of others' moral transgressions and therefore make more lenient moral judgments. If mindfulness meditation has a stronger effect on moral superiority than on acceptance, I hypothesize that individuals will judge the moral transgressions of others more harshly due to their heightened evaluations of their own morality compared to others.

## Study Methodology

To study this, I plan on conducting an experiment in the format of an online survey. Participants will be randomly assigned to either the mindfulness condition (treatment condition) or the mind-wandering condition (control condition). In the treatment condition, participants will listen to a 15-minute audio-file walking them through a mindfulness exercise. In the control condition, participants will listen to a 15-minute audio file walking them through a mind-wandering exercise. After listening to their respective audio files, participants will read six scenarios designed by Wheatley and Haidt (2005), each depicting a different character making a moral transgression. Using existing scenarios allows us to be certain of their validity. After each scenario, participants will then answer a series of questions regarding the seriousness of the actions of the character in the scenario and what, in their opinion, are appropriate repercussions for the character. Next, participants will complete Berger's Self Acceptance and Acceptance of Others Scale (Shaw & Wright, 1967) as well as Tappin and McKay's (2016) Moral Superiority Index. These measurements will capture the respective levels of our moderator variables, thus allowing us to understand which mechanisms may be behind participants' moral appraisals.

## Implications

Hopefully, this research will help us understand what factors may be playing into our moral judgements of others. With mindfulness practices on the rise and unethical decision-making prevalent in business, it is important to understand the implications of incorporating mindfulness into company culture. Gaining insight into how mindfulness impacts individuals' appraisals of others' moral transgressions will allow us to properly assess the impacts of programs such as Google's 'Search Inside Yourself' which rely heavily on mindfulness practices for leadership development. Recognizing some of our biases or at least having an idea of what may be influencing our opinions and decisions may help us become more understanding of those around us and their decisions. This will help create more tolerant spaces leaving room for more rational and logical decision making rather than decision making based on our own morals.

# WINGS OFF, MICKEY EARS ON:

## WHAT VICTORIA'S SECRET CAN LEARN FROM DISNEY

*CLAIRE POLKOSNIK AND KATERINA NIEBOER*

ARTWORK BY IRENE ZHANG

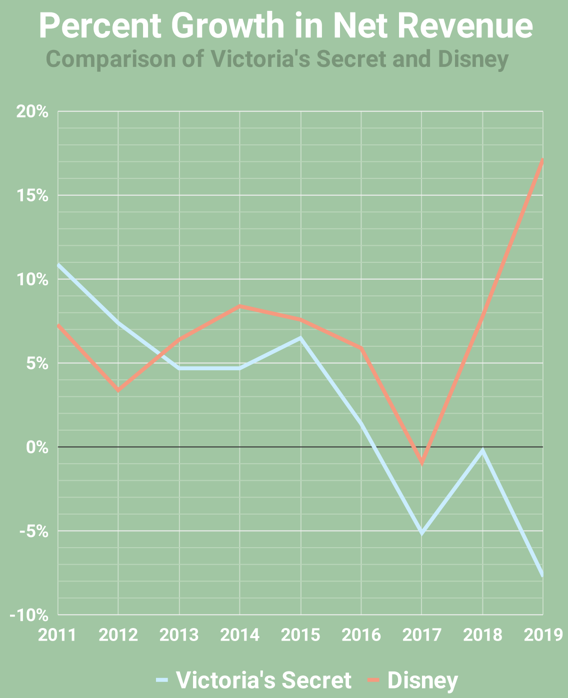
## Falling From Grace

Since 1977, Victoria's Secret has defended its title as the largest lingerie brand in the United States by selling an ultra-sexy, airbrushed image of women to customers. Victoria's Secret is known for its "Angels", a flock of the world's top models who are featured in its ad campaigns and annual fashion show donning wings and bedazzled lingerie. It leads the intimate-apparel industry with $7 billion dollars in annual sales but has struggled with the entrance of consumer-centric competitors such as Aerie and Savage x Fenty.

In 2019, the lingerie powerhouse experienced a significant 7 per cent drop in sales. Furthermore, in February 2020, private-equity firm Sycamore Partners acquired 55 per cent of the floundering brand from parent company L Brands for a mere $525 million. If the firm chooses to revive the brand rather than sell it off for parts, new strategies informed by an understanding of changing consumer preferences must be implemented for Victoria's Secret to regain leadership.

In today's climate, authenticity, inclusion, and women's empowerment are becoming increasingly important, especially to Victoria's Secret's target audience: women. Victoria's Secret is falling out of favour because it continues to peddle an unattainable and idealized image of female beauty. In our rapidly changing world, the issue of modernizing to reflect consumer values is universal across all industries and sectors. Brands that have managed reinvention are now succeeding where many others are failing.

Disney is a prime example of this; it has flourished within the entertainment industry by evolving its screen stories, products and offerings alongside its evolving consumers. By doing so, Disney has grown its revenue by 106 per cent since 2006. When comparing the current business strategies of Disney and Victoria's Secret, it appears that the Angels should look to Disney's overarching strategy in order to salvage their own brand and develop a strategy for long term growth.




Designed by Emily Nold. Source: L Brands Annual Report 2019, Disney Annual Report 2019

## Mickey Ears On

Victoria's Secret was originally designed for the male gaze; founder Roy Raymond wanted to make the process of buying lingerie "sexy" and "exciting" for men in a refined setting reminiscent of a Victorian boudoir. Victoria's Secret quickly became the largest lingerie retailer in the U.S. in the 1990s. However, Victoria's Secret began to decline as they ignored warning signs in the form of consumer feedback.

In 2017, the annual fashion show faced backlash for cultural appropriation and a lack of body shape diversity. Their decision to cancel their swim and apparel lines in 2016 was also met with such consumer outrage that they were forced to reintroduce the swim collection in 2019. It was a move deemed by many as being too little, too late. Further, a substantial number of once-loyal customers have begun to speak out about the decline in both product quality and customer service that the company has undergone. Shockingly, the brand even lacks a mobile app; this has become a standard practice in the retail clothing industry. These issues have resulted in the erosion of their customer loyalty, popularity, and relevance.

Furthermore, Victoria's Secret ignored changing views surrounding the benefits consumers sought in lingerie. Other brands such as Aerie and Free People began introducing more comfortable bralette offerings to cater to the functional aspects of lingerie that consumers were seeking. Unfortunately, Victoria's Secret was late to incorporate such products to their line and therefore was unable to meet the needs of the market, missing an opportunity to further grow its brand.

***"Victoria's Secret ignored changing views surrounding the benefits consumers sought from lingerie.***

Whereas Victoria's Secret failed to acknowledge the wants of their consumer, Disney understood that if it didn't listen to its consumers, someone else would. The Disney Digital Network consists of over 300 digital channels that reach over a billion social media followers and enable Disney to listen to it's fans. For example, in 2018 fans expressed excitement on social media around Disney's 1990 film Hercules, and the company created merchandise and content in response. The implementation of measures such as the Disney+ streaming service and a mobile application that aids with navigation of their parks demonstrate how Disney has enhanced it's offerings to cater to it's audience and nurture a long-term relationship.

Disney also authenticates its mission to "entertain, inform and inspire" through philanthropic and environmental efforts such as Disney's Team of Heroes and the Disney Conservation Fund. These initiatives connect with Disney consumers and instill a sense of pride associated with the brand. Consumers want to feel that their values are similar to those of the brands and companies they engage with. By creating social initiatives that resonate with their target segment's values, Disney is able to cultivate a long term relationship with its customer base.

Victoria's Secret's commitment to its established practices and offerings has prevented them from preserving their popularity amongst their consumers. Resistance to consumer tastes simply does not work in the current business environment. Companies must listen to the changing needs of customers or risk becoming obsolete.

## Gaining New Wings

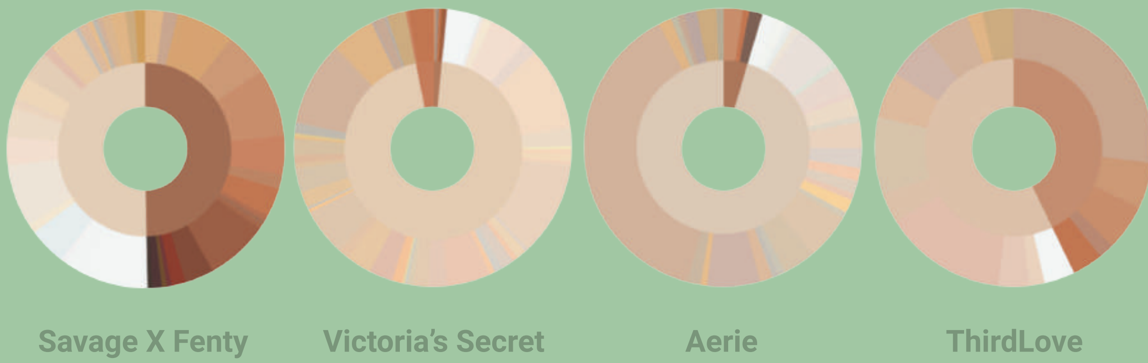
Disney's core product has always been its films. These movies have adapted to embrace new social values over the years. As women's rights continue to gain headway, Disney has continuously adapted its portrayal of women. This shift is most visible in Disney's princess films. Between 1940 and 1950, only 39 per cent of American women were working. Disney's first princesses—Snow White and Cinderella—were confined to the female stereotypes of homemakers (Snow White cleaned for the Dwarves and Cinderella pursued marriage as a means to free herself). At this time, Disney complied with the views of a primarily male-dominant society much like Victoria's Secret.

However, as the role of women in society began to shift, Disney recognized a need to change its offerings to coincide with consumer views. Films such as Frozen shattered gender role limitations by incorporating female leads and centering the plots around topics other than romantic love. By creating movies that reflect the values of this generation, Disney was able to attain continued success. Since its release, "Frozen" has earned $1.2 billion worldwide, becoming the highest-grossing animation of all time.

In contrast, Victoria's Secret has not openly embraced new social views in terms of size inclusion and body positivity. Other lingerie brands such as Savage x Fenty have expanded their lingerie lines to take into account size and racial inclusion. Yet, Victoria's Secret has the least nude colour options across all major competitors in the market and remains constrained to sizing 30A to 40DDD. Moreover, many larger

## Nude colour options stocked

### Based on products available online for each brand from Jan 2019 - Dec 2019




Designed by Haaziq Karim. Source: EDITED

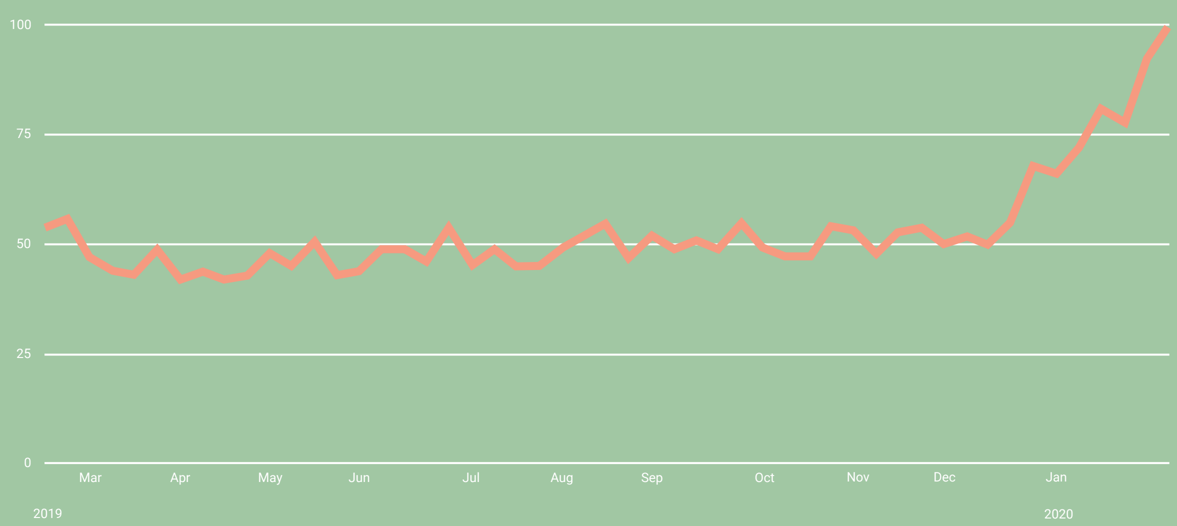
petitors in the market and remains constrained to sizing 30A to 40DDD. Moreover, many larger sizes have a limited selection of offerings. As Google searches for "plus size lingerie" experienced steady growth over 2019, it is clear that there is a need for more size inclusiveness in the lingerie industry and Victoria's Secret is missing out on a key segment of the market.

Victoria's Secret also faced backlash about their lack of diversity in their yearly fashion show. Outrage heigthened in 2018 after VS's CMO Ed Razek justified the exclusion of large sizes and transgender models in the show due to Victoria's Secret's wish to create a "fantasy" show. Due to the negative public view of the show and it's ideals, the show was cancelled in 2019 after 24 years. In attempt to recover, Victoria's Secret hired a transgender model. It was again met with hostility due to the inauthenticity of this action when paired with the CMO's earlier commentary.

In contrast, Disney has been creating fewer licensed costumes labeled as "girls" or "boys" in recent years in order to create a more gender inclusive brand. Disney has also recently announced their first official LGBTQ character in the movie Onward. This shift exemplifies Disney's ability to embrace changes in social values. Unlike Disney, Victoria's Secret has failed to adapt to changing values and culture. By doing so, Victoria's Secret has become a trend

## US Google search trends for plus size lingerie

Based on interest in search terms week by week over the past 12 months



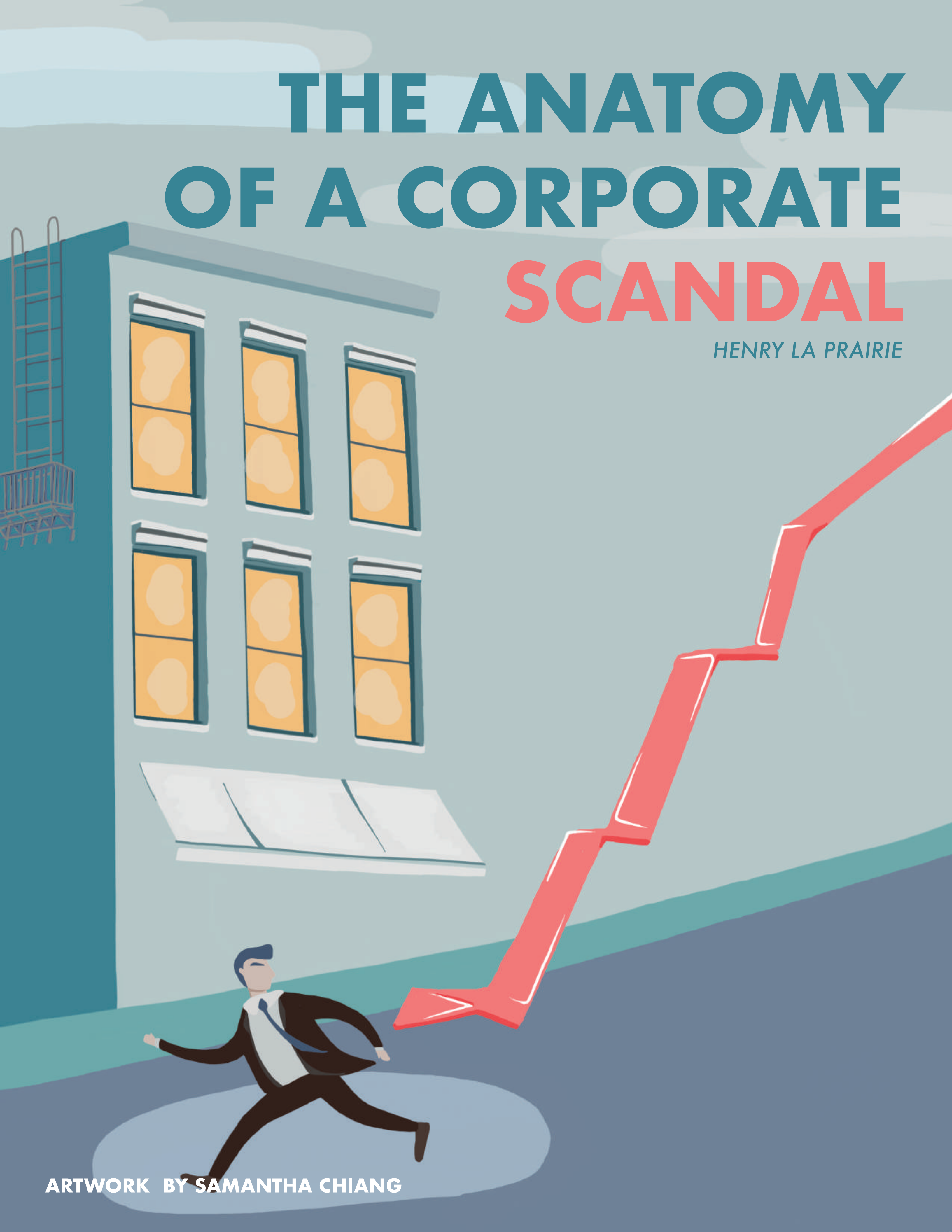

Designed by Haaziq Karim. Source: EDITED follower rather than a trend-setter which has caused them to lose market share to companies who are more willing to adapt.

## Repairing Damaged Wings

The primary reason for Victoria's Secret's failure is simple: they aren't adapting. While Disney has listened to its consumers and made changes over time, Victoria's Secret has remained unchanged, waiting to attract a dying breed of consumer to identify with an outdated value proposition. On the other hand, Disney's ongoing success with the use of a flexible, multi-faceted value proposition demonstrates the need to modernize alongside their audiences. The present marketplace is fast-paced and waits for no one. With competition for market share rising in all sectors, companies must listen to consumers' changing needs or risk becoming obsolete. In order to repair it's damaged wings Victoria's Secret will need to embrace new social values and consider what benefits customers seek from their experience in the lingerie market. The time for Victoria's Secret to act is now, and we can only hope the Angel's ears are as large as their wings.

# THE ANATOMY OF A CORPORATE SCANDAL

*HENRY LA PRAIRIE*



ARTWORK BY SAMANTHA CHIANG

## The Blind Leading The Blind

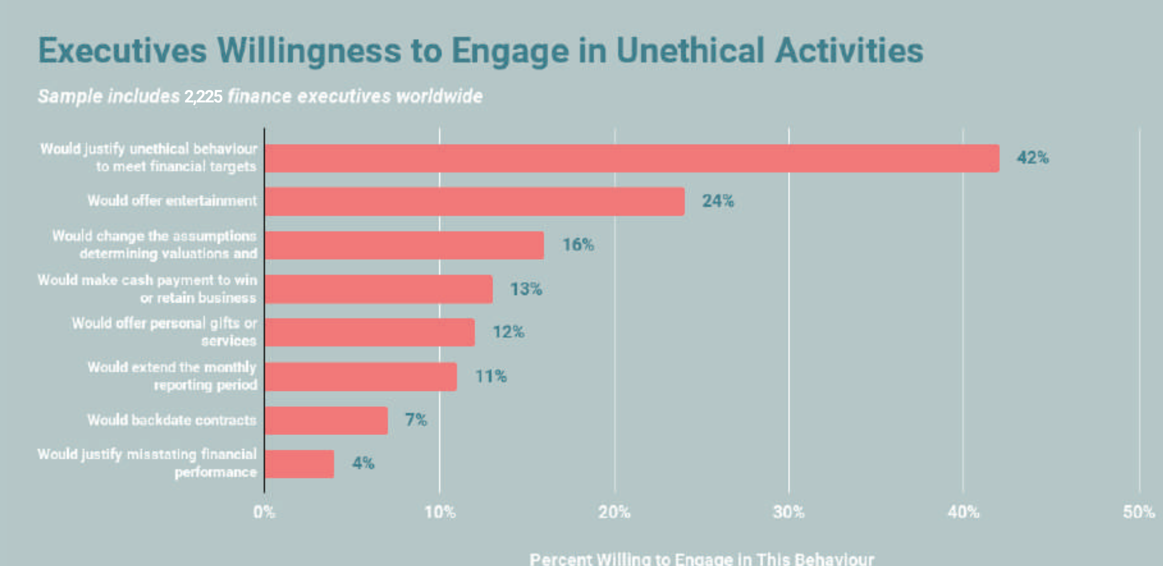
February 2020 marked the abrupt end of Tidjane Thiame's reign as CEO of Credit Suisse. He quit after news broke of a spying scandal involving an ex-employee. In the wake of Thiame's resignation, the bank has found itself in a period of instability, reflected by a 44 per cent drop in its share price between February and March 2020. In the last two decades, globalization has heightened the need for proactive corporate governance and has accentuated the failures of deceptive and illegal corporate tactics. A study by PwC examining chief executive turnover at the world's 2,500 largest publicly traded companies found that in 2018 more CEOs were dismissed for issues of ethics than for financial performance.

Companies like Enron, WorldCom, HSBC, Volkswagen, and now Credit Suisse, have demonstrated that a lack of internal checks, cultures that don't value integrity, and misaligned incentives are the drivers behind many scandals that often lead to forced CEO turnover. Such scandals are characterized by lawbreaking coupled with an effort to hide the misdeed. Therefore, to reduce the risk of scandals and reinforce ethical conduct, companies should restructure their organizations and policies to realign employee incentives.

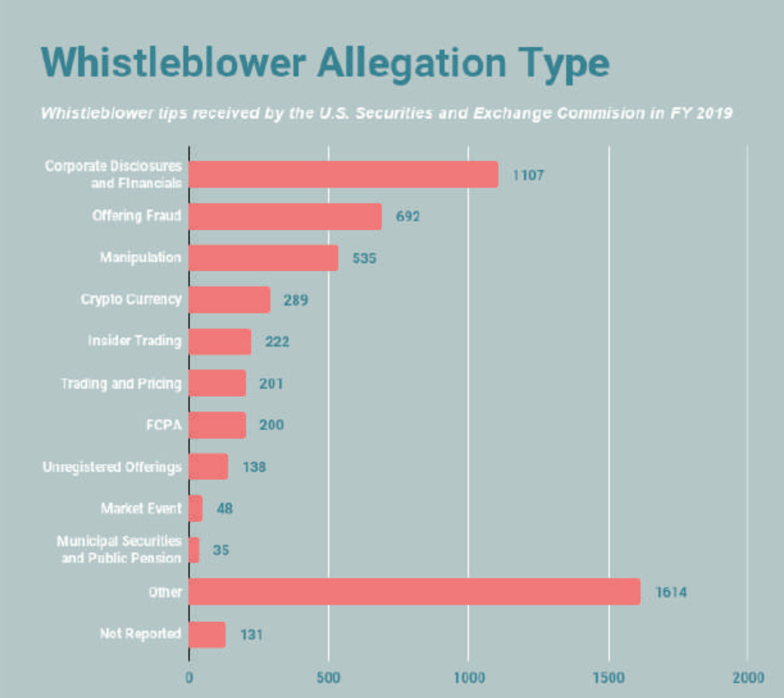
## Hotline Bling

Often, scandal-prone organizations don't have effective protocol for ousting rule breakers. Clearly, the threat of fines and jail time is not enough to deter rule breaking. This is largely because offenders think they won't get caught; approximately 76 per cent of criminals perceive zero risk of apprehension. It is therefore critical for companies to look inward to try and find signs of misconduct. Such introspective work is increasingly relevant as it is often the case that a number of employees are actively involved in such activity while others are merely bystanders.

Allowing and incentivizing employees to report rule breaking without reprimand is important if companies are serious about avoiding scandals. While some may argue that such strategies could erode trust within a company, this should not be concerning to companies who want to follow rules and enhance integrity and responsibility at all levels of the corporate ladder. Employees should work together, but only to the degree that they aren't breaking the law. If the alternative is crime, a breakdown of cooperation becomes a necessary evil for organizations to face. Furthermore, it is often in a company's best interest to hear of its own misdoings rather than forcing a disgruntled whistle-blowing employee to go public. This was exactly what happened at



Designed by Emily Nold. Source: Stanford Business Graduate School, Corporate Governance Research Initiative




Designed by Emily Nold. Source: U.S. Securities Exchange Commission

WorldCom when Cynthia Cooper, Vice President of Internal Audit, discovered US$3.8 billion in fraud that her own Chief Financial Officer was responsible for. WorldCom's lack of an internal reporting infrastructure left Cooper with no options and forced her to report to an external agency.

External whistle-blower programs such as that of the U.S. Securities Exchange Commission's (SEC) pose a serious risk for companies that can be avoided if issues are solved independently. To illustrate, the SEC's program has been extremely effective in identifying fraud and other securities law violations by paying up to 30 per cent of recouped money to whistle-blowers. It has collected back over US$2 billion and in turn paid out US$387 million in commissions. Consequently, the program has resulted in violators facing large fines and penalties. Thus, having an internal reporting system allows executives the opportunity to correct issues before unnecessary damage to the company's reputation is inflicted by regulatory bodies and news reports or reflected in stock prices.

Companies should consider implementing an internal policy similar to the SEC, even with smaller payouts. A strong whistle-blowing service can encourage an open culture of accountability by demonstrating that the company appreciates the concerns of its employees, which can lead to higher employee retention. An effective internal policy can foster greater accountability within a company by publically lauding whistle-blowers and awarding them with consideration for promotions. Moreover, offering long term incentives like consideration for higher stature and promotions can compensate for a potential cash reward smaller than the SEC might offer without creating massive costs for the company. The effectiveness in an internal policy in encouraging employees to recognize unethical behaviour however also lies within its ability to ensure that whistle-blowers do not face reprimand. Public Concern at Work, a British whistle-blower support group, recently found that over the past five years, four out of five whistle-blowers have experienced a negative outcome. Therefore, internal policies should include the prohibition of reprimand not limited to but including termination, demotion, intimidation, or threats to employees who have provided information or sought advice about doing so.

> ***"A strong whistle-blowing service can encourage an open culture of accountability***

Companies should allow for anonymity within the reporting infrastructure so employees have multiple options to bring forth their concerns. This strategy was used by Waste Management; after getting caught in 1998 for falsifying its earnings, it hired a new CEO who set up an anonymous company hotline for employees to report transgressions. While this would make it nearly impossible to deliver a financial payout to the whistleblower, it should nonetheless be available. Both of these systems should be well publicized within the organization to ensure their success. Making it clear how the system works is especially important for companies that operate in geographical regions of hierarchical cultures where the norm might be to not oppose superiors.

## Absolute Power Corrupts Absolutely

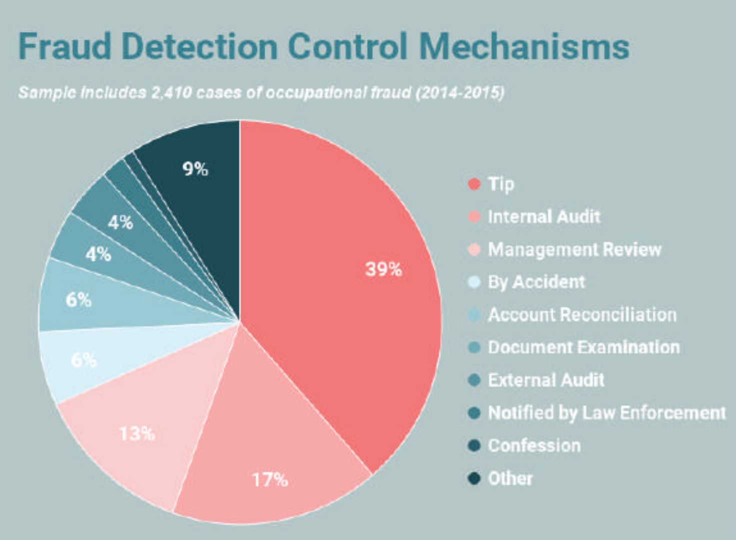
One commonality amongst scandal-ridden companies is their organizational structure; while the direction of causality is not always clear, companies with highly complicated and decentralized leadership structures tend to have a propensity for rule breaking. Especially when such companies are large, it becomes easy for subsidiaries to hide cash flows from internal management that often intends to comply with laws and regulatory bodies. This is a major chink in the armour against fraud because even if the company's leadership is intent on preventing rule-breaking, it may be unable to due to convoluted organizational charts that leave room for corruption to go undetected. This was demonstrated famously in 2015 when HSBC Chairman Douglas Flint commented on how the secrecy of local managers and Swiss laws made it difficult to oversee the actions of the bank's Swiss subsidiary. He blamed the systematic tax avoidance practiced by the subsidiary for causing severe reputational damage to the bank.

High degrees of separation between departments with individuals reporting only to their boss also introduces problems within a business. It gives single leaders enormous amounts of control over a large number of employees and therefore over the flow of information to higher-ups. This was the case with Volkswagen's 2015 emissions scandal, where Board members were only informed that their company was purposely cheating emissions tests shortly before the media. Therefore, rigid hierarchies are detrimental if they obscure management's view of their company's workings.

Companies should seek a middle ground between rigid hierarchies and being overly decentralized in their leadership. Having an internal audit independent of the CFO coupled with having employees report to more than one individual is crucial for boosting departments' efficacy in discovering improprieties. In the case of Credit Suisse, the internal audit department initially launched an investigation into the spying allegations and concluded that CEO Thiame was not aware, only for him to get caught hiring spies several months later. While it's not yet certain if the internal audit was influenced by Thiame in their initial findings, it is clear that the Board of Directors was not as vigilant of its executives as it perhaps should have been. It's especially easy for a well performing company to not bother asking "why?". However, stakeholders at every level must do so; it shouldn't be assumed that nobody is breaking the law.

## Back To Basics

While there is no clear formula for what a better corporate structure should look like, companies can avoid such issues by maintaining internal policies of financial transparency across its branches. Effective policies are simple and easy for employees to understand; straightforward examples should be included to demonstrate compliance standards and procedures.




Designed by Emily Nold. Source: Stanford Business Graduate School, Corporate Governance Research Initiative

The policy should also be continuously reiterated so that it evolves with the company's needs. As demonstrated by Enron's praiseworthy policy statements, a policy is only as effective as its enforcement. Further, employees should be engaged in interactive training that involves discussion of actual cases to help them better internalize the company's values, identify risks, and comply with standards and applicable laws. An effective training program would involve short, 15 minute long bi-weekly meetings. Studies have shown that regular short meetings are more effective than longer, less frequent ones, given that employees tend to have short attention spans in the domain of lectures. These meetings should occur on the department level and be company wide. Employees should be familiarized with the code of conduct during these meetings, reinforcing that honest behaviour must occur at all levels in the company. It should also make known the actions employees should take if they discover improprieties as well what warning signs they should be vigilant of. These include inaccuracies in expense reports and lying, even on seemingly inconsequential matters. Continuous reinforcement will let employees know that policies are taken seriously and enforced, and will help make the enforcement of policy a burden carried by the entire company.

## The Bottom Line

One of the reasons why some companies seem to undergo scandal after scandal is that public memory for scandals is short. One-time accounting giant Arthur Anderson was fined US$7 million by the U.S. Securities Exchange Commission for its role in the 1998 Waste Management scandal. Only four years later, the auditing portion of their business became defunct as a result of their involvement in the 2001 Enron scandal and their involvement in a similar incident with WorldCom in 2002.

Why did Arthur Anderson make the same mistake over and over? The reason is perhaps that people and companies don't mind doing business with a company who they know to be dishonest, so long as they are being dishonest in a way that doesn't hurt them. The calculus that companies make is that being caught in a scandal is not that bad. But this mindset is short sighted. Fines and the loss of independence in capital structure decisions are serious matters. While Volkswagen was able to recover, Enron, WorldCom and Arthur Anderson have all since become extinct as a result of their actions. By incentivizing whistleblowers, avoiding unsuitable corporate structure, and reinforcing rules, organizations can create a strong culture of honesty and avoid such catastrophes.


# THE ROLE OF GIVING IN CANADA

*SAMUEL CHEN*

Canadians pride themselves on giving back; however, did you know Canadians are as good at giving as they are at producing energy? The charitable and nonprofit sector contributes an average of 8.1% of total Canadian GDP, which is just under the 10.4% contribution of mining, oil, and gas extraction. Today, there are roughly 170,000 nonprofit and charitable organizations in Canada, supporting a wide variety of initiatives in health, education, and beyond. In 2018, Canadians donated nearly 10 billion dollars to charitable causes.

Yet, Canada's nonprofit sector is facing a funding crisis. Over the past ten years, donations across all age groups have declined. In fact, the amount Canadians donate to charity has just hit a 20-year low, with Canadians giving just 0.54% of their income to charitable causes. In comparison, American tax-filers donated nearly three times as much at 1.52%.

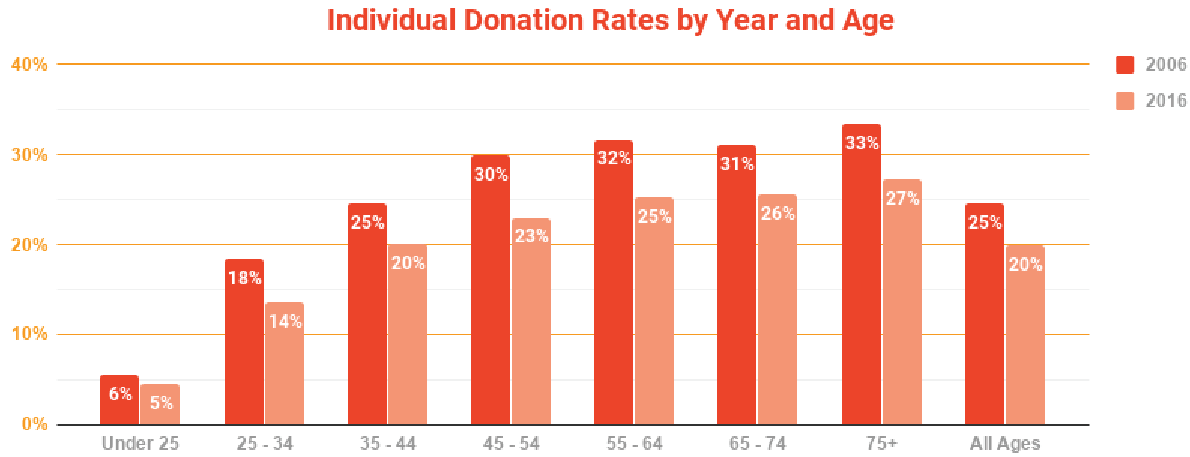
This presents a problem for both Canadian nonprofits and the initiatives they serve. The charitable sector represents a critical component of society and employs nearly 2 million Canadians. In order to prolong the giving narrative in Canada, nonprofits must innovate to serve the community and reach their donor base.

## The Relationship of Government, Business, and Nonprofits

Both charities and nonprofit organizations operate on a not-for-profit basis; however, there are a few key distinctions.

Although there are a few differing factors, "nonprofit" is an inclusive term that can pertain to both charities and nonprofits. Therefore, the analysis in this article will not exclusively pertain to one or the other.

Modern nonprofits operate alongside the for-profit sector and the government under a complex, multi-faceted, hierarchical system that is all-encompassing. The Government often outsources certain social work to grassroots organizations who may have the resources to better tackle specific issues. Similarly, corporations partner with charities to develop Environmental, Social and Governance (ESG) focused




Designed by Emily Nold. Source: Canada Helps Giving Report

initiatives and donate to fulfil corporate social responsibility obligations. Additionally, large, independent charities often donate to other smaller nonprofits in the forms of grants and bursaries to expand their reach.

However, this model is starting to burst at the seams: demand for services have increased, technology has disrupted the industry, and charitable giving is in decline. Nonprofits are becoming increasingly dependent on the government and have little space to innovate. Moreover, organizations do not have the luxury to rapidly evolve like their for-profit counterparts to respond to changing consumer tastes. Risk taking that is often rewarded in the business sector cannot be easily replicated by nonprofits whose mission could be jeopardized if they run out of funds trying to innovate.

## The Root of the Problem

The single standard that evaluates the effectiveness of giving—or the efficiency of the organization—is through the expense ratio, or more commonly referred to as overhead. The overhead percentage measures the amount of money that does not directly support recipients. It consists of management, fundraising, and other general expenses. The general consensus is that the lower the overhead percentage, the more "effective" a nonprofit is at using funds to effect change. Yet, this single measure of success has been the primary reason why nonprofits have been inhibited from growth.

This phenomenon was described by Stanford researchers as the "nonprofit starvation cycle"

| Charity | Nonprofit |
|---|---|
| Must be registered and approved by the Canada Revenue Agency | No registration process with the Canada Revenue Agency |
| Must operate exclusively for charitable purposes | Can operate for social welfare, sport, recreation, or any other reason besides profit |
| Exempt from paying income tax | Exempt from paying income taxes with the exception of property and capital gains tax |
| 86,000 registered in Canada | 85,000 nonprofits in Canada |

Source: Imagine Canada, Sector Source

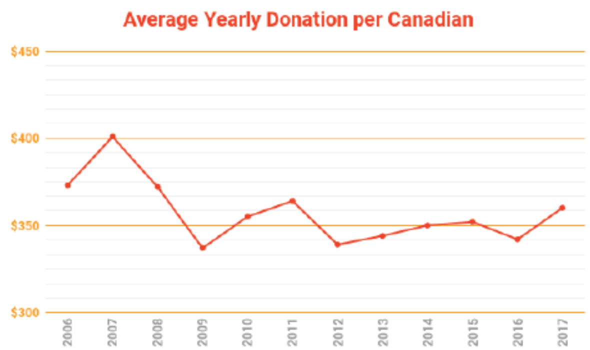
after completing an in depth analysis of four national nonprofits that serve youth in the United States. They uncovered a vicious cycle:

*1. Funders' have unrealistic expectations about how much it costs to run a nonprofit*

*2. Nonprofits feel pressure to conform to funder's expectations*

*3. Nonprofits spend too little on overhead to minimize their expense ratio*

*4. Underspending perpetuates funder's unrealistic expectations*




Designed by Emily Nold. Source: Canada Helps Giving Report

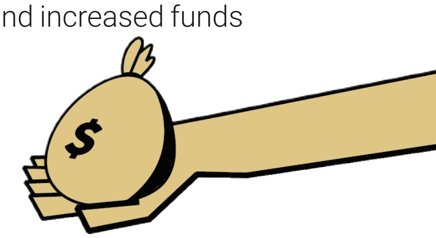
As a result, nonprofits are forced to push down their overhead costs to appease their funder base which makes it difficult for them to serve their mission.The outdated norms of detrimentally low overhead ratios have severely limited nonprofits' ability to acquire and retain talent and innovate.

Companies that build a strong infrastructure — with up to date IT systems, sturdy financial platforms, and continuous skill training — are most likely to succeed. Why would nonprofits be held to a different standard?

## Two Ways to Reevaluate Overhead

***Salaries:***

In Canada, the median compensation of a CEO of a nonprofit organization is CA$103k, whereas the median compensation for a CEO of a for-profit is CA$147k — top 100 CEOs in Canada make an average of $10.4 million. I am not suggesting we pay nonprofit executives in the millions; however, nonprofits lack access to top talent because they cannot provide competitive compensation. Moreover, CEO compensation only represents a fraction of the salaries that need to be paid: there are over 2 million Canadians employed in the nonprofit industry and turnover is a huge problem. The average turnover rate in the nonprofit sector is 19% – compared to the all-industry average of 12%. The top two reasons for this are low wages and the lack of upward mobility. Although it's generally expected that those who work in the industry take a pay cut, the current salary differences are incomparably vast. This makes it difficult for employees to make ends meet. In terms of upward mobility, nonprofits spend significantly less on training, planning, and evaluation, all of which inhibits employees from growing in their role and blocking them off from future promotional opportunities. Training is highly valued; a nationwide survey found that 70% of workers claimed that job related training and development influenced their decision to stay at their job. If nonprofits directed funds into improving training for their current employees, they could offset turnover costs that eat into overhead. For jobs that pay less than $50,000 a year it costs 20% of the position's annual salary to fill those vacancies and for positions that pay less than $30,000 it costs 16%. Ultimately, a nonprofit could save these costs by implementing a robust training system that drives down turnover. That being said, with the national decline in donor support, nonprofits may find it difficult to justify an increase in spending in salary, training, and development. However, spending on talent may be the very thing needed to reinvigorate donor engagement. By offering competitive compensation and training benefits to prospective employees, nonprofits could attract the leadership necessary to disrupt the industry, engage donors, and expand impact. This, paired with low turnover, could result in future cost savings and increased funds raised.

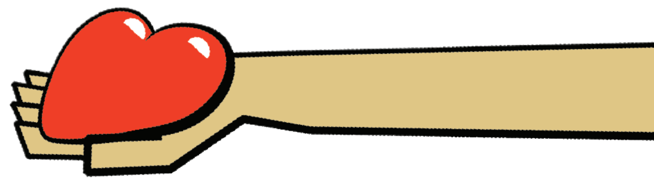


***Technology:***

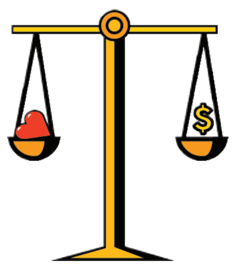
Over the past decade, technological innovation has transformed the non profit sector. Cloud computing systems, social media, and mobile technology have drastically affected service quality, internal communications, and information storage. However, many nonprofits are working with old technology and cannot afford to innovate as fast as their for-profit counterparts. Purchasing new technology is a significant investment for nonprofits and can be hard to justify when donors focus solely on the yearly overhead rate. That being said, the high upfront cost of a technology is often rewarded by future savings. For example, New Story is a nonprofit that uses 3-D printing to provide adequate housing for those without access. The upfront spending made by New Story to develop a large-scale 3-D printer has enabled the organization to build entire homes in less than 24 hours for a fraction of the cost of a traditional building. The organization's solution is faster and cheaper — a common result of big tech investments. However, not all can afford to invest as heavily as New Story. To mitigate the initial costs, nonprofits could seek partnerships with companies whose social values align with their cause. For example, Direct Relief is a humanitarian aid organization that delivers medical aid and support after natural disasters. During the California forest fires, Direct Relief worked with Facebook to use anonymized location information to determine the movement and location of people fleeing dangerous areas. This guided how the organization distributed N-95 breathing masks to protect the public from smoke inhalation. Whether technology can improve day to day operations or literally save lives, nonprofits should not be deterred from this investment because of the impact it might have on their yearly overhead. By adopting a forward looking mindset, nonprofits can harness technology to help people better than they ever have before.

## Donate on Impact

The narrative around the nonprofit industry needs to change, starting with arbitrarily imposed overhead ratios. The current nonprofit overhead across sectors is 37%, while the average donor believes it should be 23%. There exists an underlying hypocrisy to charitable giving: we admire those who sacrifice financial gain in favour of social reform, but concurrently doubt the same group of people with managing our money. How can we expect nonprofits to grow if we deprive them of the cash necessary to do so? Instead of monitoring overhead, why not evaluate impact?



Nonprofits are established to have a positive impact. We should holistically evaluate them on their ability to do so, not on their ability to cut costs. We need to empower nonprofits to take innovative approaches so we create a new nonprofit cycle, one that perpetuates impact and growth for nonprofits rather than starvation. By focusing our attention on impact, nonprofits can be empowered to invest in their employees and innovate. Organizations like GiveWell, a nonprofit evaluator, have adopted this approach. Instead of focusing solely on overhead, GiveWell searches for charities that save or improve lives the most per dollar. This enables nonprofits to invest in infrastructure, provide competitive compensation, and explore tech solutions to better fulfill their mission. Let's give nonprofits a chance to blossom by shifting the paradigm of expectation away from low overhead ratios to the good they produce in the world.



NEWBUSINESSREVIEW.CA