MICHIGAN
ROSS SCHOOL OF BUSINESS

WDI PUBLISHING

case 7-238-314
March 9, 2023

Andrew Hoffman

BlackRock's ESG Investment Dilemma: Managing Stakeholder Differences

New York City was starting to come alive for the winter holidays. On her way into BlackRock's headquarters, Kayla Vázquez[i] enjoyed passing the bright window displays on Park Avenue. Before allowing herself to be fully immersed in the holiday spirit and traveling to Aspen to be with her family, Vázquez had a large task to complete. As chief of staff to the firm's chief executive officer, she needed to provide input to CEO Larry Fink regarding what he should focus on for his 2023 Annual Letter to CEOs.

With BlackRock as the largest asset manager in the world, the Annual Letter to CEOs had a significant impact regarding what BlackRock expected from the companies its clients invested in. This year's letter was particularly important as it was the five-year anniversary of the highly controversial Letter in which Fink stated that, "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society."[1] That 2018 declaration set off a whirlwind of publicity and strong reactions, especially as BlackRock began to shift its assets to align with its statements. Within a year, the Business Roundtable, an association of CEOs from America's largest companies, released a similar statement that business must move away from a model of shareholder primacy to one that included a commitment to all stakeholders.[2] It seemed like the entire business community was shifting with BlackRock toward a new way of doing business that was ethical, equitable, and sustainable. As an advocate for inclusive growth and sustainable investing, Vázquez was proud of the stance BlackRock took and its power to move the market toward a brighter future.

Not everyone agreed with her. BlackRock was now facing pressure from a variety of stakeholders. Legislatures in Republican-controlled states started pulling their states' investment portfolios from BlackRock, claiming that the firm's "woke investing" was damaging their states' economies. Meanwhile, on the other side, environmental groups were protesting in the firm's New York City office lobby with pitchforks and buckets of coal, frustrated that the new investing strategy was not evolving fast enough away from

[i] Kayla Vázquez is a fictitious character.

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.