

Global VOICES

Responsible Leadership & Sustainable Business Practices

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WILL TOTAL QUALITY MEAN THE END OF IMPERFECT PEOPLE?

SOCIAL RESPONSIBILITY: DISTINGUISHING THE TALKERS FROM THE WALKERS

BRAZIL: A WHOLE NEW BALL GAME IN SUSTAINABLE INVESTMENT

PLAYING OUT OF SYNCH: WHAT JAZZ TEACHES BUSINESS LEADERS

SOCIAL RESPONSIBILITY AND WIN-WIN SUPPLY CHAINS

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Recognising the enormous role business can and must play in helping solve large-scale, global issues facing the world, six business schools from around the world have formed a partnership: The Council on Business & Society. Through our individual and collective efforts, we strive to create and disseminate knowledge about those issues and train future business leaders capable of and committed to solving them.

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- ESSEC Business School, France, Asia-Pacific and Africa
- FGV-EAESP, Brazil
- School of Management, Fudan University, China
- Keio Business School, Japan
- Trinity Business School, Trinity College Dublin, Ireland
- Warwick Business School, United Kingdom

The partner schools share a commitment to and belief in the power of academic excellence, collaboration, innovation, and transformative leadership. Each is a recognised leader in management education and offers a wide range of business-related degrees and executive programmes.

COUNCIL COMMUNICATION TEAM

For further information and enquiries, please contact:



ESSEC Business School (France)
Mr. Tom Gamble
tom.gamble@essec.edu
+33 134 439 656



Warwick Business School (United Kingdom)
Mr. Warren Manger
warren.manger@wbs.ac.uk
+44 2476 572 512



FGV-EAESP (Brazil)
Prof. And Vice-Dean Tales Andreassi:
tales.andreassi@fgv.br
+55 113 799 7821



Keio Business School (Japan)
Mr. Hiroshi Takagi: hiroshi.takagi@kbs.keio.ac.jp
+81 455 642 045



School of Management, Fudan University (China)
Mrs. Elsa Huang:
hzhuang@fudan.edu.cn
+86 212 501 1408



Trinity College Dublin Business School (Ireland)
Mr. Ian Dunne:
Marketing & Communications Office
ian.dunne@tcd.ie
+353 (0) 1 896 2493

Compiled and edited by Tom Gamble, the Council on Business & Society.

With special thanks to the design team at ESSEC:

Guillaume Audabram, Pascal Constantin, **Melissa Guillou**, Maëllis Tronet, Matthieu Anziani, Véronique Zisswiller



With thanks to CoBS student editorialists Afifeh Fakori & Kunal Ganarkor

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THE DEANS OF THE COUNCIL'S MEMBER SCHOOLS



Dean and President Vincenzo Esposito Vinzi,
ESSEC Business School, France, Asia-Pacific, Africa.

"At ESSEC, we believe that training students and participants for responsible leadership is key for answering the challenges of a complex world. Together with the members of the Council on Business & Society, we strive to promote responsibility so as to impact today's economy and society, and shape tomorrow's world."

Dean Luiz Artur Ledur Brito,
FGV-EAESP, Brazil

"Being recognized worldwide as a think-tank, FGV-EAESP not only produces academic research in management and public policy, but also applies research via its close relation with the corporate world. Its participation in the Council on Business & Society enriches its global vision through the multiple perspectives generated by the Council's initiatives."



Dean and Professor Xiongwen Lu,
School of Management, Fudan University, China

"The School of Management, Fudan University joined the Council to communicate, exchange and collaborate with our global partners, absorb advanced management ideas and share China's unique experience. As a leading business school in China, we will make continuous efforts to drive the mutual development of global management education and the social economy."

Dean Hirokazu Kono,
Keio Business School, Japan

"As the leading business school in Japan, it is our duty to investigate how business should maintain a balance with global societal issues. We desire to explain to the world what Japan has experienced through rapid growth by means of the Council on Business & Society."



Dean Andy Lockett, Professor of Strategy and Entrepreneurship,
Warwick Business School, United Kingdom

"As a leading European business school at a world-class University, Warwick Business School is committed to developing ideas and people that shape how we do business. We believe in the power of education to create the leaders the world needs to tackle societies' great challenges, such as global warming, ageing populations and increasing inequality."

Dean Andrew Burke,
Trinity College Dublin Business School, Ireland

"We are the business school at the heart of a World renowned research-led university located at the centre of a European capital city and hub for global business. Our approach to education encapsulates this nexus of international research and industry expertise in a project-based approach where impact on both business and society are key. We are evolving from encouraging our students to graduate with a 'moral compass' to actually take a step further in order to excel at 'ethical leadership beyond the realm of the organisation' and so to develop business strategies that encourage ethical attitudes among consumers and investors. Our vision is that as this goal is achieved then even firms/governments who have little concern about issues such as fair trade, child labour, and climate change will find themselves increasingly compelled by market forces/votes to behave ethically."



/Editorial

By Adrian Zicari, Executive Director, Council on Business Society



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Dear Readers,

As each year, autumn marks the beginning of the academic term in the Northern Hemisphere. Students, professors and staff are back in campus. Courses start again. The active intellectual and social life of our schools renews.

Moreover, with this new beginning comes the 11th Edition of the CoBS Global Voice. Perhaps this special issue is timelier than ever, as it coincides with the latest surge in interest and events surrounding CSR and Sustainability. Among others, the recent statement of the Business Roundtable, stating that “each of our stakeholders is essential”. Being that the BR represents many of the largest corporations in the US, this unprecedented declaration might set the end of the discourse on the sole focus on shareholder value. In a wider sense, there is an increased awareness worldwide about climate change and the consequent urge for concrete action. As climate change a planetary challenge, it is clear that it has to be addressed at a global level. Indeed, it is also clear that companies have to take a major role in this effort for saving the global climate.

Consequently, this new edition of the Global Voice brings you a new collection of already-published and new research-based articles, all of them proposing practical, “actionable” elements for managers, students, and colleagues at large. Collectively, these articles show both the vitality of the CoBS research community and its commitment to the Common Good. We have a section on “Management & Leadership”, featuring articles on leadership ethics, employee well-being, leadership and sustainability, among others. We also include a section on “Business & Workplace Practices” with articles on whistleblowing, talent management and sustainable investing. As a novelty, this new edition brings also a new feature on “Innovation in Education”, where best practices for CSR-related teaching at several CoBS schools are highlighted.

Once again, Global Voice helps to contribute to the much needed debate and discussion on CSR and Sustainability with the dissemination of rigorous, peer-reviewed research carried out by our colleagues at the CoBS-affiliated schools. We strongly believe that science has a role in shaping, inspiring and improving social dialogue around CSR / Sustainability issues. We are thus happy to share this up-to-date knowledge with you, our dear reader, in the hope of bringing inspiration and new ideas.

Kind regards and enjoy your reading!



Adrian Zicari
Executive Director
Council on Business & Society

Council on Business & Society **website:**
www.council-business-society.org

Council Community blog:
councilcommunity.com

The Council on **Twitter:** @The_CoBS



Our contributors

Brains that have Brawn

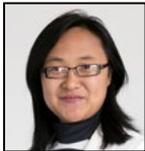
Stefan Gröschl,
ESSEC Business School



Andy Lockett,
Warwick Business School



Na Fu,
Trinity Business School



Deniz Ucbasaran,
Warwick Business School



Hirokazu Kono,
Keio Business School



Marianna Fotaki,
Warwick Business School



Qinqin Zheng,
School of Management
Fudan University



Tanusree Jain
Trinity Business School



Tales Andreassi,
FGV-EAESP



Sachiko Yamao,
Keio Business School



Hari Tsoukas,
Warwick Business School



Valery Yacubovich,
ESSEC Business School





Our contributors

Brains that have Brawn

Adam Smale,
University of Vaasa



Dulini Fernando,
Warwick Business School



Jennie Sumelius,
University of Vaasa



Adrian Zicari,
ESSEC Business School



Qiyang Hu,
School of Management
Fudan University



Qingyun Jiang,
School of Management
Fudan University



Paulo Branco
FGV - EAESP



Francisco Aranha,
FGV - EAESP



Aron Belinky,
FGV - EAESP



Arijit Chatterjee,
ESSEC Business School
Asia-Pacific



Aarti Ramaswami,
ESSEC Business School
Asia-Pacific



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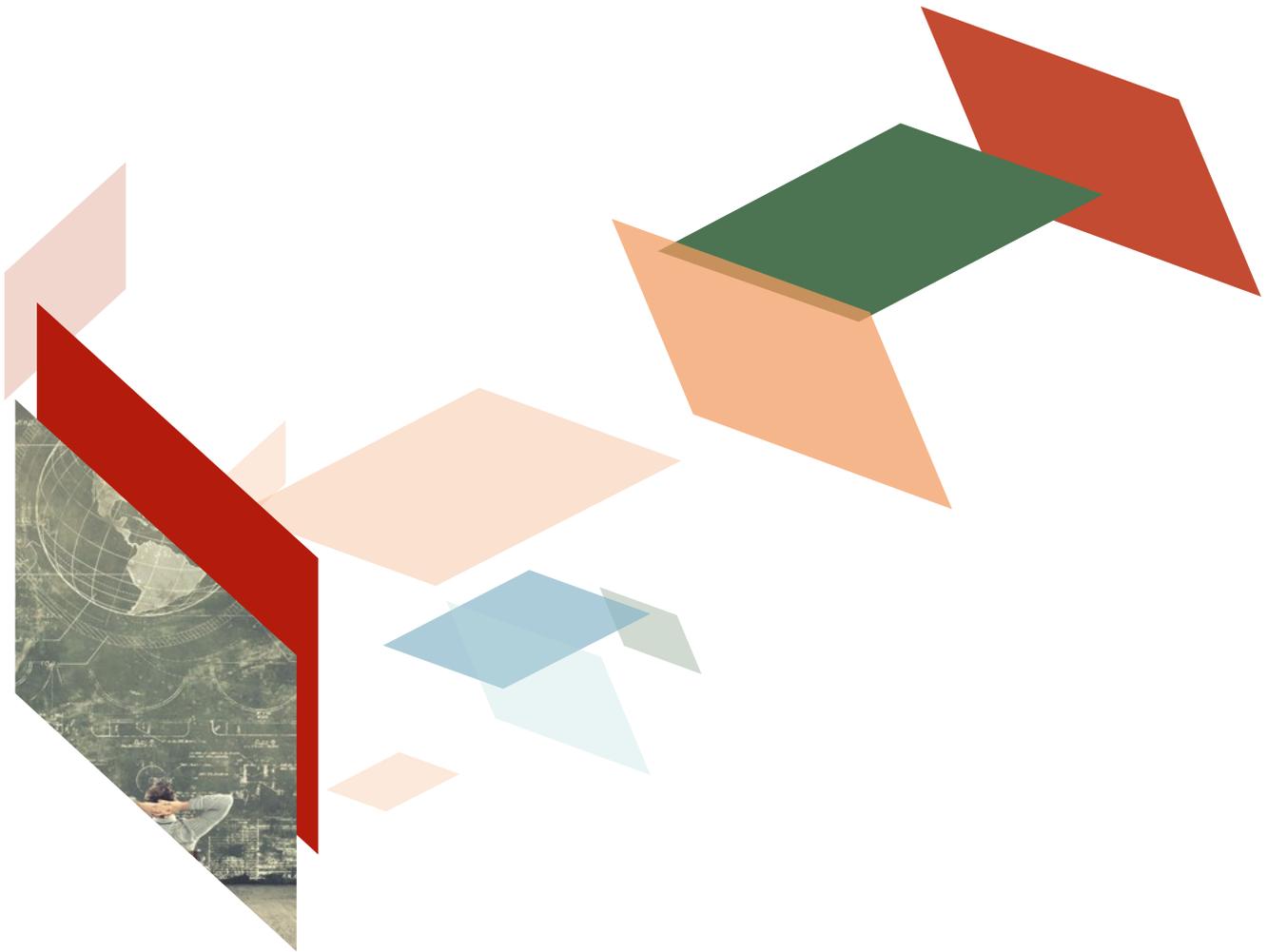
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MANAGEMENT & LEADERSHIP

WHY BUSINESS LEADERS NEED A MORAL COMPASS



“ In the years to come we can expect to see more CEOs feel compelled to take a moral stance. ”

”

In a powerful opinion piece, **Hari Tsoukas**, Professor of Organisation Behaviour at **Warwick Business School** and the University of Cyprus, speaks up for ethics and responsibility.

THE TIMES THEY ARE A CHANGIN'

THE ECONOMIST MILTON FRIEDMAN famously said: “The business of business is business.” In other words, business leaders should focus on making money, not moral stands. How times have changed. Several behemoths of the business world pulled out of the Future Investment Initia-

tive conference in Riyadh, dubbed “Davos in the Desert”, amid outrage at the murder of Saudi journalist Jamal Khashoggi. They include the chief executives of American firms JP Morgan, Blackstone, Uber and Blackrock.

Jo Kaeser, the chief executive of Siemens, summed up the feeling of many business leaders when he spoke on CNN, explaining his reasons for boycotting the event. “We are

the ones who need to fix the issues,” he said. “We are the ones who have the responsibility to show our people the way and find a win-win solution.” Yet it must have been a tough decision. Siemens employs more than 2,000 people in Saudi Arabia and has significant business interests in the country. You do not easily break away from important clients. Yet, Mr Kaeser, and many other chief executives did. Governments have, by and

large, been more reserved. Billions of dollars and huge geopolitical interests are at stake. Saudi Arabia has been a pillar of western interests in the Middle East.

Donald Trump was so keen to defend his allies he initially claimed the Saudi explanation that Mr Khashoggi died following a fight at the country's embassy in Istanbul was "credible". Days later he faced an embarrassing climb down when the Saudis admitted the journalist had been murdered. Undeterred, the President continued to stand by the Saudis, insisting the CIA had found "nothing definitive" that showed Crown Prince Mohammed bin Salman ordered the journalists murder. He unashamedly said he was "putting America first" because Saudi arms sales and its influence over oil prices were too important to the US to jeopardise.



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TAKING A STAND, LISTENING TO YOUR VALUES

By taking a stand business leaders have shown moral sensitivity in a way the President has not. Though such incidents are rare, it has happened before and it will happen more regularly in future. Several heads of business resigned from Mr Trump's American Manufacturing Council in protest at the President's lamentably inadequate response to the deadly violence by white supremacists at Charlottesville in August 2017. Merck CEO Kenneth Frazier put it best at the time, tweeting that he felt "a responsibility to take a stand against intolerance and extremism."

In the years to come we can expect to see more CEOs feel compelled to take a moral stance, be it about the murder of a foreign dissident, the insensitive behaviour of a sitting President, or the persecution of religious or ethnic minorities. It will be increasingly difficult to avoid.

Friedman's quote at the beginning of this article suggests that business transactions are separate from the rest of our daily lives. For example, I do not need to approve of my greengrocer's lifestyle in order to buy from him. As long as he serves me what I want, at prices I find reasonable, the rest of his life is not my concern. Much of the time this may be true. But if I learn that he has racist views, he mistreats his staff, or is known to engage

in domestic violence, these are behaviours I do not want to condone, even indirectly, by giving him my money. My sense of responsibility does not stop when I spend my money; on the contrary it is magnified by having a choice in how I spend it.

It is not very different for companies. Most of the time you may not care, or even stop to think about the values or morality of those you deal with, but at some critical point you will. A President who fails to unequivocally condemn a racist killing makes you wonder whether you want to sit on his business advisory board. Similarly, a crown prince with a proclivity for violence, who throws his critics to jail and, most likely, orders the mafia-style killing of an eminent dissident, is not one whose hand you may want to shake. Your intuitive morality does not allow you to stomach it. How would you explain your actions to your children, your employees, and your customers? Your own moral reputation is at stake.

CONSUMERS CAN SHAPE COMPANIES

Society's expectations of corporate behaviour have changed. A survey by the large public relations firm Edelman found that nearly a quarter of consumers said they chose to buy from brands whose beliefs they shared. To add value, you need to show you have values. A company that does not appear to distance itself from inappropriate behaviour risks tarnishing its reputation.



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KEY
TAKE
AWAYS

SOCIETY'S EXPECTATIONS OF CORPORATE BEHAVIOUR HAVE CHANGED.

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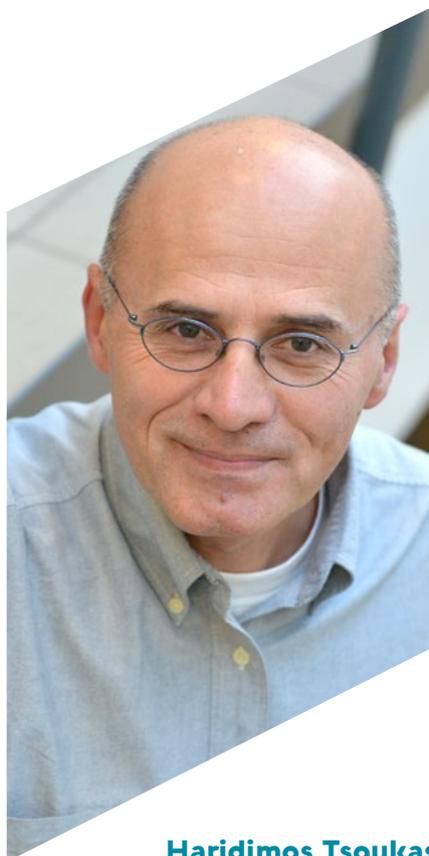
MORALLY PRINCIPLED PRAGMATISM IS REQUIRED, NOT UTOPIAN IDEALISM.

THE IMPORTANT THING FOR BUSINESS LEADERS TO HAVE IS GOOD JUDGMENT: TO WANT TO DO THE RIGHT THING IN A WAY THAT IS MOST EFFECTIVE IN THE CIRCUMSTANCES THE FIRM FACES. FOR THAT A MORAL COMPASS IS REQUIRED.



The rise of 24/7 communications means events in distant places are now beamed to everyone's living room. Business leaders cannot pretend they don't know about the barbaric murder of a journalist or the racist killing of a protestor and that knowledge creates a sense of responsibility. What am I going to do about it? Does this mean that business leaders will always need to take a stance to all the world's problems? Not at all. Morally principled pragmatism is required, not utopian idealism. A CEO need not be a moral crusader with a mission to save the world in order to act as a moral leader. Companies can decide which issues to take a stance on. If a company risks losing millions by pulling out of the Davos in the Desert conference, that does not mean it has to react similarly every time, say, the Russian or Turkish government throws its critics in jail.

Human affairs, Aristotle noted, are inherently variable, so much so that there cannot be general rules for how a leader should act. Details, history, and context matter. The important thing is to have good judgment: to want to do the right thing in a way that is most effective in the circumstances you face. For that you need a moral compass, not a moral manual.



Haridimos Tsoukas



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PEOPLE, POWER, PERFORMANCE: THE IMPACT OF EFFECTIVE HR PRACTICES IN PROFESSIONAL SERVICE FIRMS



Dr. Na Fu, Prof. of Human Resource Management at **Trinity Business School**, together with fellow researchers explores the specific nature of professional service firms and how high-impact HR bundles catalyze their success.

From the paper *How High Performance Work Systems Operate in Professional Service Firms: Examining the HPWS-Resources-Uses-Performance Linking Mechanisms* by Professor Na Fu, Trinity Business School, and her research team including Profs. Patrick Flood and Janine Bosak, Dublin City University; Denise Rousseau, Carnegie Mellon University; Tim Morris, Oxford University; and Philip O'Regan, University of Limerick.

WHAT MAKES A FIRM A CHAMPION?

What do Apple, Alphabet (Google), Microsoft, Samsung, Walt Disney, Alibaba, Facebook and JPMorgan have in common? Well,

all of them are champions, featuring in the top 20 best-performing companies worldwide. They also, in their various ways, perfectly fit with their customers' needs – be it quality, status, practicality, usefulness, friendship, emotion or a combination of

these. And one final, though non-exhaustive, characteristic, is that they all make highly effective use of the resources they have. This is where the VRIN concept kicks in – a set of criteria that argues that a firm's competitive advantage lies primarily in resources that

are Valuable (outperforming its competitors or reducing its own weakness), Rare (scarce and not easily taken by every firm), Imperfectly imitable (not easy to copy), and Non-substitutable (superior and protected).

These resources can be tangible or intangible, such as raw materials, robotized production lines, technology and people, as in the first instance, or, as in the second case, brand recognition, goodwill, trademarks and knowledge. And as intangible resources such as knowledge are more difficult to imitate, it's therefore essential for firms to maintain them. Moreover, many believe the intangible resource of knowledge as the most strategically significant resource of the firm. And it can come in myriad ways, embedded and vehicled through individuals, relationships, organisational processes, databases and systems.

IT'S NOT WHAT YOU DO, BUT THE WAY THAT YOU DO IT

What underpins these precious resources? And what enables them to be used so effectively to produce the outstanding results and performance of the industry leaders above? The old adage 'it's not what you do but the way that you do it' could well apply. Or more specifically in this context: it's not what use you put the resources to but how you use them. Prof. Na Fu of Trinity Business School, Trinity College Dublin, believes the key lies in HPWS (High Performance Work Systems), a bundle of HR practices positively related to organisational performance and which enhance employees' skills and knowledge, strengthen internal relationships, support organisational processes, databases, and systems in such a way that the firm's resources are created to gain sustainable competitive advantage. These practices might



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include staffing, training, pay, performance control, communication or information sharing. While substantial research has shown that HPWS have been found to positively relate to outcomes especially in manufacturing firms, Prof. Na Fu contends that investigation has been lacking in another, key sector - that of professional service firms.

KNOWLEDGE-INTENSIVE FIRMS

Let's return to our champion companies. How about a second illustrious list that may count among them McKinsey & Co, BCG, Bain & Company, Deloitte, PWC, Ernst & Young, Accenture, KPMG? Such organisations are professional service firms - management consulting, accounting expertise, and legal services - and they differ from traditional manufacturing firms in how they operate and in their resources. Typically, PSFs are knowledge-intensive, made up of highly educated and professionalised workforces that provide clients with customized expertise and solutions. Moreover, to be successful professional service firms depend on three essential resources: Human capital, social capital, and organisational capital.

The first, human capital, is both built up through formal education - most consulting firms recruiting from top universities and business schools - and on-the-job training through daily assignments. For example, to become a qualified chartered accountant in some jurisdictions, a trainee needs to have at least three and a half years' training in an accountancy practice (or 3 years for a master's student). The second - social capital - is the knowledge that is embedded in relationships among individuals in the firm and because most of the work carried out in a consulting-type organisation occurs through teams, good relationships between team members facilitate the knowledge exchange and sharing process and, as such, improve both individual and collective efficiency. But this social capital is not only confined to internal ops. Developing and maintaining relationships with clients is also important - for not only does a consultant's service require his or her own knowledge and expertise, it also needs the input of the client to achieve high-impact results. In addition, word-of-mouth once again proves the best possible form of publicity: much new business is won through existing clients introducing the consulting firm to new clients. The third resource, organisational capital, refers to knowledge embedded in organisational processes, routines, databases and systems. Indeed, Professionals play an important role in forming efficient organizational routines and building organizational databases and systems that facilitate knowledge exchange and sharing within firms. As such, there is a logical linkage between practices - the High Performance Work System - resources, uses, and resulting performance. In a nutshell, human resources constitute the most critical asset of professional service firms - or PSFs.



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EFFECTIVE HR PRACTICES CAN MAKE ALL THE DIFFERENCE IN FIRMS

For Prof. Na Fu developing and implementing high performance work systems made up of effective HR practices is a key factor in differentiating a champion professional service firm from merely a good one. The human capital – a highly professionalized workforce – helps PSFs build a good reputation by signaling that the professional service firm has the potential to provide more efficient solutions for its clients. And clients are likely to choose PSFs with higher level human capital because they believe that smarter people would provide better solutions. Upstream, higher level human capital also helps PSFs to attract more talent and brighter graduates from top institutions. Building these high levels of human capital, PSFs need to identify, attract, and retain their employees and this can be achieved through HR practices such as demanding selection and recruitment processes, training, and skill-based pay. As such, HRM in the guise of a high performance work system package may promote and maintain socially complex relationships characterized by trust, knowledge sharing, and teamwork. Employment practices foster organizational internal social capital and that organizational social capital creates value for firms. In other words, organizational social capital mediates the HRM practices and organizational performance relationship. HPWS improve organizational financial efficiency and organizational flexibility through their impact on organizational social structure development.

Merely having resources is insufficient for success. Only when these resources are utilized effectively can firms achieve high performance. In her research, Prof. Na Fu identifies two means to effectively utilize human, social, and organizational capital to help firms efficiently exploit, transform and explore knowledge. The importance of both resources and the uses of these resources requires managers in PSF to promote HR systems that create *resources* and also enhance the uses mechanisms which include exploration and exploration, or so called organizational ambidexterity. For example, managers need to pay more attention to these two means to use their resources. They can then check whether their HR systems are playing the correct role in facilitating them. If they find that the firm needs to leverage more knowledge from seniors to juniors, they may need to enhance mentoring systems in the HPWS.

To build internal social capital, PSFs can provide training programs to improve professionals' teamwork and communication skills, compensation policies such as group-based pay and bonus sharing plan and open vertical and horizontal communication channels for professionals sharing and exchanging knowledge within the firm through the use of employee suggestion systems. To build external social capital, PSFs can provide professionals with external training opportunities and reimburse them for developing networks with potential and existing clients. Effective teamwork is also a key factor for consulting firms' success, not least due to the fact that they have compress their work into a much shorter time frame. As one partner from a consulting firm said: "[we need to] compress six months' work into a three-week assignment." This means that the PSFs must be able to form teams quickly based on knowing each other's expertise (which also implies networking) and using these teams effectively in encouraging knowledge exchange and combination. 'The bottom line is that professional services firms with extensive utilization of HR practices bundled in High Performance Work Systems will experience increases in firm performance,' asserts Prof. Na Fu, while pointing to one crucial determining factor: 'But it's the firm's "uses" that will ultimately effect – either positively or negatively – the relationship between resources and performance obtained.'



Na Fu



KEY TAKEAWAYS

THE RESOURCE-BASED VIEW OF THE FIRM PROVIDES THE VRIN CRITERIA FOR EVALUATING RESOURCES THAT ARGUES THAT A FIRM'S COMPETITIVE ADVANTAGE LIES PRIMARILY IN RESOURCES THAT ARE VALUABLE (OUTPERFORMING ITS COMPETITORS OR REDUCING ITS OWN WEAKNESS), RARE (SCARCE AND NOT EASILY TAKEN BY EVERY FIRM), IMPERFECTLY IMITABLE (NOT EASY TO COPY), AND NON-SUBSTITUTABLE (SUPERIOR AND PROTECTED).

AS INTANGIBLE RESOURCES SUCH AS KNOWLEDGE ARE MORE DIFFICULT TO IMITATE, IT'S THEREFORE ESSENTIAL FOR FIRMS TO MAINTAIN THEM.

IT IS NOT WHAT RESOURCES YOU HAVE BUT HOW YOU USE THEM

HPWS (HIGH PERFORMANCE WORK SYSTEMS), A BUNDLE OF HR PRACTICES, UNDERPIN THESE RESOURCES. THEY ARE POSITIVELY RELATED TO ORGANISATIONAL PERFORMANCE AND ENHANCE EMPLOYEES' SKILLS AND KNOWLEDGE (HUMAN CAPITAL), STRENGTHEN INTERNAL RELATIONSHIPS (SOCIAL CAPITAL), SUPPORT ORGANIZATIONAL PROCESSES, DATABASES, AND SYSTEMS (ORGANIZATIONAL CAPITAL), IN SUCH A WAY THAT THE FIRM'S RESOURCES ARE CREATED TO GAIN SUSTAINABLE COMPETITIVE ADVANTAGE.

TO BE SUCCESSFUL, PROFESSIONAL SERVICE FIRMS DEPEND ON THREE ESSENTIAL RESOURCES: HUMAN CAPITAL, SOCIAL CAPITAL, AND ORGANISATIONAL CAPITAL.

IT IS THE FIRM'S "USES" THAT WILL ULTIMATELY EFFECT – EITHER POSITIVELY OR NEGATIVELY – THE RELATIONSHIP BETWEEN RESOURCES AND PERFORMANCE OBTAINED.



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WILL TOTAL QUALITY MEAN THE END OF IMPERFECT PEOPLE?



Hirokazu Kono, Professor of Industrial Engineering and Production Management and Dean of **Keio Business School**, Japan, explores the human-or-machine question and contends that, paradoxically, imperfection has a reassuring future.

DOES ARTIFICIAL INTELLIGENCE TAKE PEOPLE'S JOBS?

AUTOMATED production systems have been a long-appreciated feature of prosperous industries. The list of examples starts from Venetian ship production in the 12th century, followed by French gunsmith Hono-

ré LeBlanc in the 18th century, British naval engineer Samuel Bentham, and the American Eli Whitney, all of who were forefathers of the idea of interchangeable parts and automated production processes. It was Japan in the 1950s and 60s, however, that was to become the world leader in automation and the quality process, especially in the automobile industry. Nissan, Toyota, and Honda

were the pioneers in mass-producing high quality, reliable and modern cars that featured standard parts which most competitors at that time considered options. Nowadays, in Japan as elsewhere around the world, the assembly lines are becoming increasingly automated with fewer and fewer people involved in the process. Nevertheless, robotics and artificial intelligence (AI) do not necessa-

rily mean elimination of people from workplaces. In Japan, companies are likely to shift people otherwise employed on the production line to sales or after-sales sections, thus reducing the direct loss of jobs caused by accelerating technological innovation.

It seems, then, that the benefits of AI outweigh the urge to sound the alarm that people are being supplanted by machines. Indeed, in Japan, AI is beginning to fill the gaps between employment supply and demand, especially in the service and convenience store sectors that require interaction with customers at night or on weekends. For example, the economy hotels industry, providing low-cost accommodation for people on business trips, is rapidly introducing establishments operated by a single person, and where guests are communicated by automated machines after initial check in. This instance at least implies that people are ready to exchange human contact for convenience and low-price.

However, there remains a sensitive subject. AI has entered many other business domains in Japan, including healthcare and transport. While railway stations are equipped with automated voice communication systems providing information to travellers, hospitals have begun to use robot seals – called PARO – to accompany Alzheimer sufferers (PARO is also being tested by the British NHS). All in all, it seems that repetitive tasks are being overtaken by willing robots. But such automation also creates problems. Take the introduction of telephone applications in healthcare services for example. A visible benefit for doctors is that they can now oversee multiple patients via the smartphone and computer interface, thereby optimising time and productivity. The drawback, on the other hand, is the toll the doctor pays in terms of stress and workload. In the past there was one patient to deal with at a time – now there are many and they come almost instantaneously. In a sense, the same problem applies to production management and the automated assembly line. A quality manager is able to address a multitude of issues by using digital solutions – at any time – resulting in the barrier between working time and private life becoming more and more blurred.

PERFECTION OR IMPERFECTION? THAT IS THE QUESTION

There is a general tendency to view machines as purveyors of total quality. However, many reports show that AI can be just as imperfect as the average human. Many companies still suffer from over-production, product defects and quality lower than clients' requirements, despite the introduction of robots and AI-controlled processes. Customer complaints and the burden of stock costs are still rampant, and these cannot be solved by AI alone. Indeed, it looks likely that such problem-solving will require a human form, that is, senior-level and experienced employees using the information and data generated by AI to supply the machines with the troubleshooting answers. Interestingly, the people-versus-machine debate often arises among young people with surprising results. Keio Business School, one of the internationally recognised leaders in higher education among the business community, sees many young professionals, domestic and international, joining its selective MBA and EMBA programs. They are generally well-versed in IT and the use of AI, but the vast majority still prefer to visit the production lines for on-site experience and, more specifically, for contact with the people actually working on them.

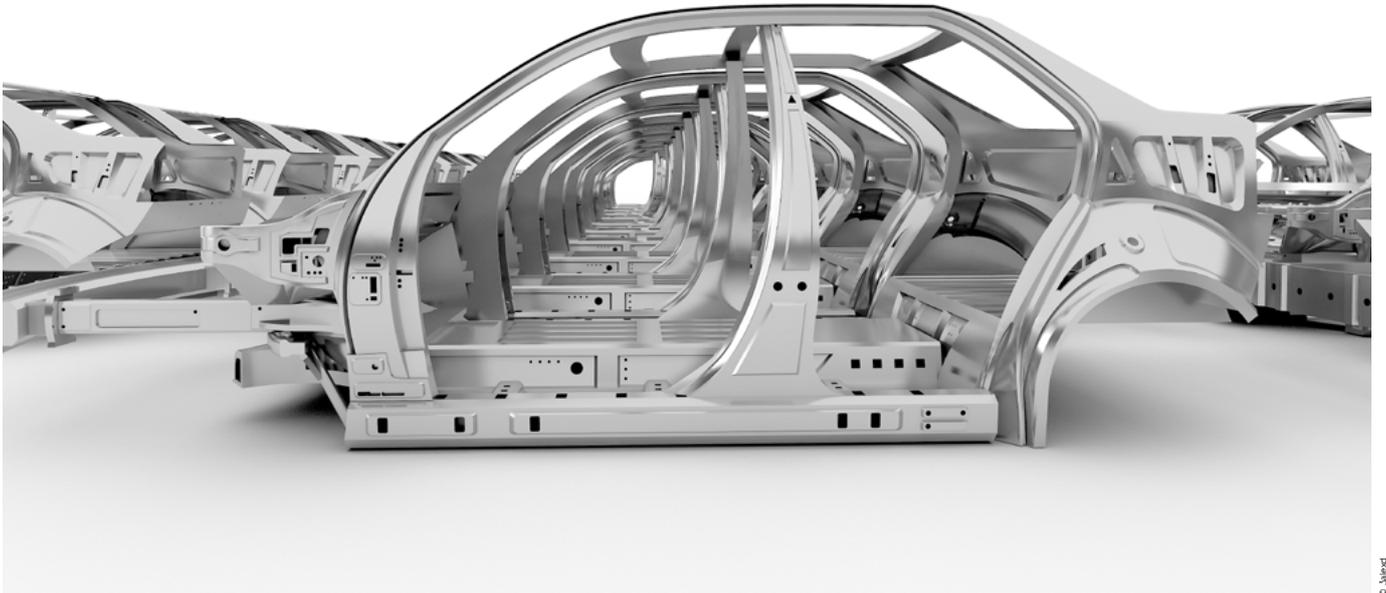
Moreover, while machines actually produce the product, in many cases humans carry out the final touches. Cars rolling off the production line, for example, are better finished by humans who do a much better polishing job than machines. Another example of finishing touches – we dare to say the final step for perfection – is that of a small company in Tokyo that produces parts for rockets. While the rocket bodies are machine-produced, it was found that humans did better in finalising the nose-cone, the specific round-shape of which cannot (yet) be perfectly crafted by robots.



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TOWARDS A PEOPLE-LESS COMPANY AND A PLAYER-LESS GAME?

These examples indeed point towards a negative reply to the question. Then the issue of profit kicks in. Part of the automation argument in the past has laid in the search for profit optimization by tackling the high labour costs in Japan. The most popular solution was outsourcing production to neighbouring China and other south-east Asia countries in the 1990s and early 2000s. The trend, however, is now directing the other way. Rising living standards in Asian countries have pushed up the labour costs and charges. This, in addition to a favourable dollar exchange rate, means that many Japanese companies are now bringing production back to Japan, an obvious boon to employment expectations despite the surge of AI and automated production. Hirokazu Kono points out the leaning towards short-term profit in industrialised countries, questioning the justification of it and pointing out the basic need for humans to live and enjoy working. In this he sees a price to pay – even though it could mean high labour charges and taxes – and ensures that this “win-win” argument is instilled in Keio’s values and work ethics.

This being said, the temptation to employ more numbers of robots is irresistible, not least due to the dramatically decreasing cost

of them. ROI is no longer a worry. Indeed, warehouse stock management is a sector that is experiencing subsequent growth in the use of automated solutions. Here, incoming parts are stocked, picked and then shipped out in massive numbers. In this case, a zero-employee warehouse would pose no problem. However, states Hirokazu Kono, if there is a single worker in such a vast space like a warehouse then this does cause an issue. Imagine. Alone in several thousands of square feet for seven to eight hours a day with no one to talk to. Over time, there would indeed be a very negative impact on the worker’s state of health. For Kono, such issues have to be addressed by management leaders in a near future – in light of both benefits and drawbacks.

An analogy that comes to mind when tackling the question of Artificial Intelligence and human interaction is that of sports. Recently, new prototype software was designed for the smartphone that can trace the movements, not of the player, but of the ball itself, in a football game. Information gathered simultaneously from eleven cameras placed inside the stadium gives the spectator a history of the ball’s trajectory – making judgement and criticism of a player’s performance reliant on the machine. The same goes for baseball, a sport that has millions of devoted fans in Japan. Prototypes are being finalized that send instantaneous

game data to a spectator’s smartphone. This provides the strange scenario of tens of thousands of people being present at the stadium but watching the game glued to the screens of their mobiles in order to decide whether to boo or applaud. Professor Kono stresses the importance of people’s direct observation in such interactive games: it is the face, the emotions that provide the passionately interesting aspects of baseball, and the raw, natural data that trigger spectators’ emotions and reactions. The same applies to the workplace.

TRUST AND LEARN

Can we trust imperfect people to be in charge of perfect machines? It might be worth looking at the example of the 2020 Olympic Games to be held in Tokyo. The Japanese government has launched a project to introduce automated driving for the event that will transport passengers arriving at the airport terminals to downtown fast and without the stress of having to take the wheel on the city’s busy highways. This may mean a great opportunity for growth for software and automobile manufacturers, but the stress, of a different kind, may still be present for the users. This is because one of the basics of product manufacturing seems to have been overlooked: Machines aren’t perfect. Every part or product ages. It deteriorates.

rates and may go wrong, sometimes even producing disaster. And there may also be design defects that cause teething problems, and even worse, accidents – witness the recent crashes that hit the headlines involving Google and Tesla self-driving cars in the US. While improving technology may reduce the risk of failure to a minimum, it is beyond reasonable logic to claim that zero risk will be obtained. Trust in imperfection, however, and perhaps your stress-level will naturally decrease.

Despite the speed at which technology is changing our working lives, Prof. Kono asserts the need for a balanced approach in educating students for their future careers. Management science in general inevitably requires increased IT skills and logic to cater for the technical environments and tools used in the company. But production and operations management, even if caught up in the drive for automation and AI, still has to tackle problems – and this is what counts: getting down to the nitty-gritty on the shopfloor. When searching for bigger production capacity and greater quality, it is often a question not of which technological solution to use, but of the strategy, methods and impact. If the sales team fails to pay attention to the increase in

capacity, then the technological solution becomes meaningless. The same goes for the procurement department when it finds itself having to purchase more parts to cater for higher production, and the finance department when it has to find and obtain the funds to bear the extra costs for parts. A small idea in production can therefore change the whole company structure.

When asked what he would expect of future generations, Dean Hirokazu Kono doesn't hesitate to state: The human touch is indispensable, even in the era of sophisticated automation. Students need to experience the whole structure of a company – from production to sales and marketing – in order to become effective leaders. They also, while being at ease with technology, have to look outside and across borders, and not forget those in less developed areas of the world. It is empathy, understanding and awareness that make the human experience unique. Also expected is an awareness of the fact that imperfect humans create sophisticated machines which are imperfect themselves, and that things which are beyond a machine's imperfect capacity have to be taken care of – by us, the imperfect workers.



It is empathy, understanding and awareness that make the human experience unique.



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KEY
TAKE
AWAYS

VENETIAN SHIP PRODUCTION IN THE 12TH CENTURY, FOLLOWED BY FRENCH GUNSMITH HONORÉ LEBLANC IN THE 18TH CENTURY, BRITISH NAVAL ENGINEER SAMUEL BENTHAM, AND THE AMERICAN ELI WHITNEY, WERE FOREFATHERS OF THE IDEA OF INTERCHANGEABLE PARTS AND AUTOMATED PRODUCTION PROCESSES. IN THE '50S AND '60S, JAPAN BECAME THE WORLD LEADER IN AUTOMATION AND THE QUALITY PROCESS.

IN JAPAN, AI IS BEGINNING TO FILL THE GAPS BETWEEN EMPLOYMENT SUPPLY AND DEMAND, ESPECIALLY IN THE SERVICE AND CONVENIENCE STORE SECTORS THAT REQUIRE INTERACTION WITH CUSTOMERS AT NIGHT OR ON WEEKENDS.

WHEN SEARCHING FOR BIGGER PRODUCTION CAPACITY AND GREATER QUALITY, IT IS OFTEN A QUESTION NOT OF WHICH TECHNOLOGICAL SOLUTION TO USE, BUT OF THE PEOPLE, STRATEGY, METHODS AND IMPACT.

IMPERFECT HUMANS CREATE SOPHISTICATED MACHINES WHICH ARE IMPERFECT THEMSELVES. THINGS WHICH ARE BEYOND A MACHINE'S IMPERFECT CAPACITY HAVE TO BE TAKEN CARE OF - BY 'IMPERFECT' WORKERS.

THE TEMPTATION TO EMPLOY MORE NUMBERS OF ROBOTS IS IRRESISTIBLE, NOT LEAST DUE TO THE DRAMATICALLY DECREASING COST OF THEM. ROI IS NO LONGER A WORRY.

HAVING PLANTS MANAGED BY A SINGLE PERSON OR A SMALL, SCATTERED TEAM, WILL INDUCE ISSUES REGARDING THE IMPACT OF LOW SOCIAL INTERACTION ON PEOPLE'S HEALTH.



Hirokazu Kono

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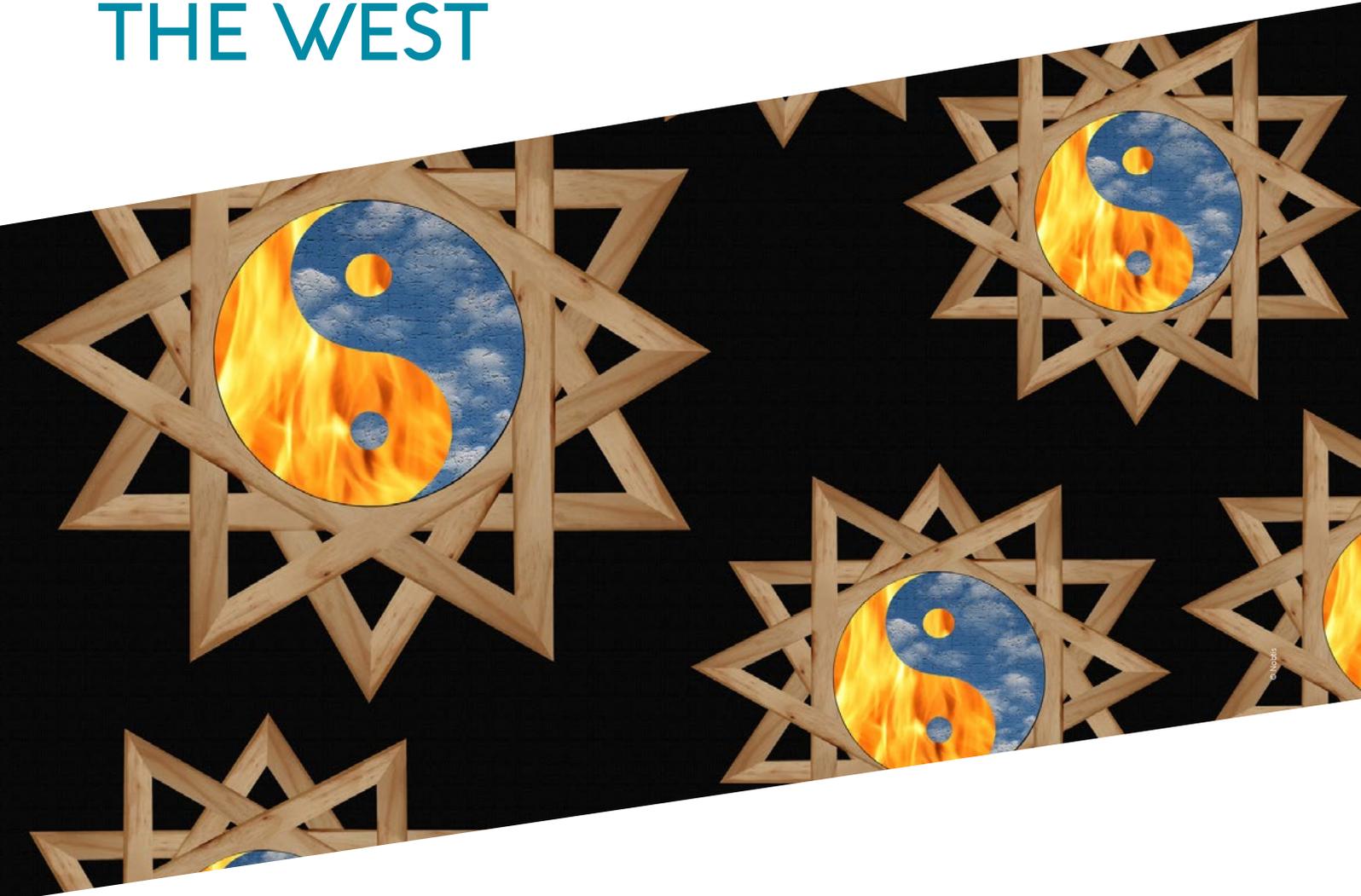
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***"Education is the way
to liberate every human being."***

Hirokazu Kono, Dean and Professor,
Operations Management, Keio Business School

YIN-YANG BALANCING BETWEEN THE EAST AND THE WEST



Prof **Qinqin Zheng** of **School of Management Fudan University** and Prof Yadong Luo of University of Miami analyse the differences between Western and Eastern management philosophies to propose a solution to manage complexity in the post-modern era.

By CoBS Editor Afifeh Fakori, from the paper "Competing in complex cross-cultural world: Philosophical insights from Yin-Yang" by Yadong Luo, Qinqin Zheng, Cross Cultural & Strategic Management, Vol. 23 Issue: 2, pp. 386-392.

ALTHOUGH THE ACRONYM VUCA (Volatile, Uncertain, Complex and Ambiguous) was first coined in 1987, the concept of a 'VUCA World' has probably never been more relevant. How should managers operate

in a VUCA world that is also more interconnected than ever before? Well, for the past five decades, Western management philosophies have prevailed. But as articulated by Prof Peter Ping Li of Copenhagen

Business School, it might be time to finally pay attention to Eastern perspectives which have been in existence for much longer, and yet, have failed to quite make it into the limelight... until now, at least. Confucianism,

WHEN WEST MEETS EAST

Eastern and Western philosophies are based on very different assumptions. For instance, 'ambiguity' has a rather negative connotation in the Western culture whereas the Chinese embrace ambiguity as not only inevitable but also desirable. Then there is also the fact that the concept of Yin and Yang appreciates "what is" whereas the Western style focuses more on "what ought to be." This means that the West can often come across as more self-centred and aggressive towards the "external world."

Aristotle's "either/or" logic has a very strong hold on Western style of management, triggering Westerners to avoid and deny paradox with an absolute separation of mental opposites. As a result, they have a hard time reconciling intuition with analysis. They are content to sacrifice one of the two, the one often being intuition. It is true that this conscious endeavour to substitute complexity and uncertainty with simplicity and certainty, has resulted in the dramatic advances in modern sciences in the West. The Eastern approach may have failed to lead to the modern sciences, but right now it appears to be compatible with the post-modern era where business and environment must work together in pursuit of the dual goal of short-term returns and long-term growth. Business relationships with external stakeholders such as suppliers, competitors and the government are increasingly more collaborative and competitive today, and this necessitates the ambidextrous balancing between the two.

The Eastern approach is more ambidextrous in the sense that it follows a "either/and" duality, with the "either" indicating the existence of tension and trade-off, and the "and" signifying harmony, synergy and complementarity. The modern notion of "blue ocean strategy" is consistent with Yin-Yang balancing since it aims to strike a fine balance between high value and low cost, rather than pursuing the "either/or" approach. In fact, the blue ocean strategy highlights the power of Yin-Yang balancing by postulating that the best competition is no competition!

But at this point it would be unfair not to note that there are also some Western management theories, such as organisational ambidexterity, loose coupling, collaborative competitive advantage and co-opetition,



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Taoism and Legalism have been in existence for about 2,500 years now, and in his paper on Yin-Yang balancing, Professor Li asserts that Eastern philosophies may be better suited to handle some of the complexities of today.

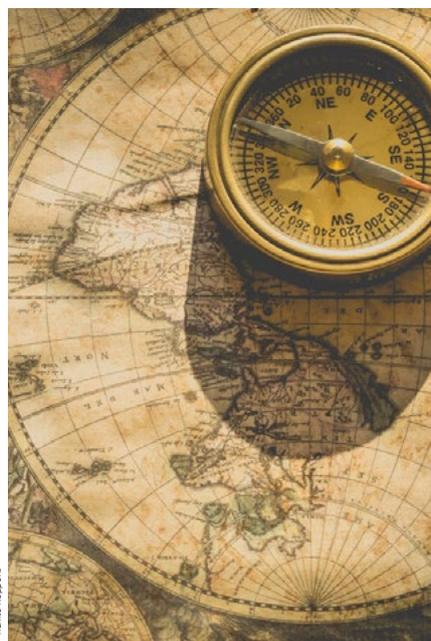
THE YIN TO YOUR YANG

The Yin-Yang philosophy is one of the central notions of Taoism which teaches us how to act in accordance with nature. "Tao" refers to a natural course, which is spontaneous, eternal and indescribable. It manifests itself through several natural principles, one of which is the Yin-Yang duality. This duality concerns complementary opposites and asserts that there is no life without death, no good without evil, and no day without night. The ubiquitous symbol of Yin-Yang - the white swirl with a black dot and the black swirl with a white dot - embodies the philosophy that coexistence and unity of opposites are necessary to form a meaningful whole.

Today's corporate world is brimming with seemingly contradictory needs - efficiency and flexibility, competition and cooperation, stability and adaptation, exploitation and exploration, global and local, market-based and relationship-based strategies, and long-term and short-term. Such complex new business realities require ambidexterity if competing needs are to be satisfied simultaneously and dynamically. The wisdom of Yin-Yang balancing is an important guide to understanding these paradoxes and tensions. It treats two

opposite elements of any paradox as partial trade-off as well as partial synergy within a spectrum of holistic balancing.

This approach can accomplish a multitude of conflictual and competing goals not just in the East but also in the more developed Western world. For instance, the Danish toy-maker Lego has already adopted eleven paradoxical principles similar to the practices in China. Lego's paradoxical principles include "to build a close relationship with one's staff... and to keep a suitable distance" and "to lead... and to hold oneself in the background." The Chinese practices include "maintaining both distance and closeness" and "treating subordinates uniformly while allowing individualization."



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which share some core values of Yin-Yang balancing. But such sharing has not been articulated explicitly yet.

HOW MUCH TENSION IS HEALTHY?

Disagreements and conflicts are quite necessary in the early stages of organisational development. But it is also critical to ensure that paradox management leads to synergistic gains instead of just endogenous trade-offs, which may sometimes result from Ying-Yang integration. Opposing elements can find a unique fit only by sharing common objectives and emphasising on values added by the system as a whole. Since Yin-Yang balancing is more of a philosophy than a science, it is difficult to use a scientific approach to empirically verify it. But then again, one must also acknowledge that in the real business world, management is often an art rather than an exact science. As such, managerial philosophies such as Yin-Yang may be more relevant and valuable to managers than scientific hypotheses and propositions.

Opposite elements also need to be well-aligned in order to manage the right level of complementarity. For example, in business ethics we may be disturbed by legal standards that are not always consistent with ethical standards. In such cases, it is important to determine which threshold is more important to abide by for paradox management. Effective organisational practices, culture, leadership, routines and processes are required if we want to build healthy tension and achieve a good balance that leads to organisational effectiveness.

A FINAL WORD ON INTRODUCING CALM INTO CHAOS

Increased competition and interdependence in the business world will only cause more, and not less, paradoxes than before. Western and Eastern management philosophies have their respective strengths and weaknesses, and in isolation, neither one is adequate to manage all types of problems. Thus, the panacea lies in integrating Eastern and Western systems into a geocentric meta-system. The post-modern world characterised by global interconnectivity requires a combination of organic complexity and mechanistic simplicity and clarity.

Enlightened by Yin-Yang balancing, there is a great potential of co-evolution, convergence and co-reinforcement of different philosophies. But we still need further research to determine how micro-foundations such as teams, culture, human resources management, information sharing and inter-unit collaboration, can foster the execution of Yin-Yang balancing.



Qinqin Zheng

KEY TAKE AWAYS

CONFUCIANISM, TAOISM AND LEGALISM MAY BE BETTER SUITED TO HANDLE SOME OF THE BUSINESS AND MANAGEMENT COMPLEXITIES OF TODAY.

THE YIN-YANG PHILOSOPHY IS ONE OF THE CENTRAL NOTIONS OF TAOISM WHICH TEACHES US HOW TO ACT IN ACCORDANCE WITH NATURE AND FORWARDS THE NOTION OF DUALITY.

IT TREATS TWO OPPOSITE ELEMENTS OF ANY PARADOX AS PARTIAL TRADE-OFF AS WELL AS PARTIAL SYNERGY WITHIN A SPECTRUM OF HOLISTIC BALANCING.

EASTERN AND WESTERN PHILOSOPHIES ARE BASED ON VERY DIFFERENT ASSUMPTIONS: 'AMBIGUITY' HAS A RATHER NEGATIVE CONNOTATION IN THE WESTERN CULTURE, WHEREAS THE CHINESE EMBRACE AMBIGUITY AS NOT ONLY INEVITABLE BUT ALSO DESIRABLE.

THE EASTERN APPROACH IS MORE AMBIDEXTROUS IN THE SENSE THAT IT FOLLOWS A "EITHER/AND" DUALITY, WITH THE "EITHER" INDICATING THE EXISTENCE OF TENSION AND TRADE-OFF, AND THE "AND" SIGNIFYING HARMONY, SYNERGY AND COMPLEMENTARITY.

IT IS CRITICAL TO ENSURE THAT PARADOX MANAGEMENT LEADS TO SYNERGISTIC GAINS INSTEAD OF JUST ENDOGENOUS TRADE-OFFS.

INCREASED COMPETITION AND INTERDEPENDENCE IN THE BUSINESS WORLD WILL ONLY CAUSE MORE, AND NOT LESS, PARADOXES THAN BEFORE. WESTERN AND EASTERN MANAGEMENT PHILOSOPHIES HAVE THEIR RESPECTIVE STRENGTHS AND WEAKNESSES AND BOTH CAN BE USED TO ADDRESS THESE.

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SUSTAINABILITY AND INNOVATION



Prof. and Vice-Dean at **FGV-EAESP Tales Andreassi** looks into the historical roots of the sustainable development movement and its future

From the paper INNOVATION AND SUSTAINABILITY: NEW MODELS AND PROPOSITIONS by Professors Tales Andreassi, José Carlos Barbieri, Isabella Freitas Gouveia de Vasconcelos, and Flávio Carvalho de Vasconcelos.

ROOTS AND BLOOMS

In all appearances, the sustainable development movement is one of the most important social movements of the new century. Over the last twenty years or so, countless voluntary initiatives related to SD have been undertaken by companies from banks and

insurance firms to hotels and chemical plants – with the participation of some of the largest groups in those sectors.

Although the roots of sustainable development can be traced back to the 19th century ecology movement and the wave of ecological movements in the public sphere of

the 1970s, its official beginning took place not much more than thirty years ago, with the 1987 launching of a report by the World Commission on Environment and Development (WCED), known as the Brundtland Commission. A point of interest was that this was mainly a concept “invented” by developed Western countries, virtually igno-

ring contributions from other regions and countries such as that proposed by Chico Mendes, a Brazilian activist and environmentalist of the 1970s-80s who already had a socio-environmental pro-position that was proper to the concept of sustainable development. Parallel to this was the quality movement that saw a fledgling debut in the immediate post-war period but which really began to thrive in the 1980s: here, companies adhered to sustainable development more in order to counter the criticism and objections to the role of companies and their negative impact on society and the environment. By 2010, however, a new factor began to attract companies to the notion of sustainable development – sustainable development as a competitive factor that either differentiated or qualified them and, moreover, helped them stay in business.

PRAISE AND CRITICISM

While many environmentalist currents have adhered to the movement for sustainable development, many others have also have expressed severe criticism of it. Their view is that sustainable development puts humans before both the animal world and the planet

and is merely a reformist approach because it fails to represent a deep change. Moreover, much criticism stems from the fact that the sustainable development movement is largely impelled by large multinational companies which had previously boycotted the so-called “eco-development” proposition. Linked to this is the view that sustainable development deems economic growth as a necessary condition for eradicating poverty – critics arguing that economic growth is the source of the severe environmental and social problems found in contemporary world. Indeed, although there are new business aspirations behind the sustainability agenda – the growth in wind or solar energy, for example – some might see it as just the continuation of the old desire for multinationals to control and dominate the world’s resources. This criticism comes to a head in the British environmentalist and writer Sir Jonathan Porritt’s suggestion that sustainable development should be called “marginally less unsustainable development”.

But, despite all the criticism aimed at it, by 2010 sustainable development had become one of the most important “social movements” of modern times, taking no more than just two decades to become an insti-

tutionalised feature of business at the crossroads of society. Why is that?

Part of the answer is claimed to be that the power of this concept initially lay in its very vagueness and impreciseness, and the exploitation of its contradictions and weaknesses was a path already walked which did not bring significant results. Others stated that the concept of sustainable development provided a practical vehicle for a minimum political agreement on a global level of the issues tackled by it. The effect of media, social and environmentalist movement, opinion leader and government pressure cannot be underestimated either given the speed and geographical spread achieved so quickly and in such a short space of time. Moreover, when new values become institutionalised in society, typically becoming “myths” to be followed in a given sector, organisations will respond to these pressures by adopting these models and practices considered the best ones in a given social system. This is exactly the case for sustainable development and respect for environmental policies.



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THE RISE OF A NEW BREED OF ORGANISATION

As a company commits to sustainable development, it must necessarily change its way of operating in order to at least reduce adverse social and environmental impacts. This requires a new way of facing innovation for its products and services and has consequently led to the notion of sustainable innovation – that is, a type of innovation that contributes to achieving sustainable development. Indeed, we now speak of “sustainable organisations” – those seeking profit while at the same time attempting to achieve respect for the environment and social justice, typically promoting social inclusion, gender balance and equity, and protection for minorities. In short, it is not enough for companies simply to innovate constantly, but to innovate considering the three dimensions of sustainability, namely:

- The social dimension – a concern for the social impacts of innovations on human communities both internally and externally to the organisation (unemployment; social exclusion; poverty; organizational diversity; etc.)
- The environmental dimension – a concern for environmental impacts caused by the use of natural resources and the emission of pollutants
- The economic dimension – a concern for economic efficiency – making profit and generating competitive advantages in the markets they operate in, without which they would not be able to continue doing business.

Meeting these dimensions makes the innovation process more sophisticated and demanding – requiring a greater effort from organisations in order to technically meet this condition. In turn, this brings new perspectives to the management of innovation, with innovations necessarily developing other evaluation criteria than conventional ones. The issue becomes even more complex when taking into the account the dimension of measuring the possible impact of innovations, for while economic effects are relatively easy to predict (a battery of instruments exist to help companies do this), social and environmental effects are more difficult to assess in advance as they involve many other variables, uncertainties and inte-

reactions. A negative result of this conundrum is that companies may be inclined to use their existing, traditional tools and understanding of impact assessment while blending in a sustainable development message as a mere display of good intention or even, in the worst scenario, for obtaining positive public image and importance among opinion leaders. In short, “greenwashing”.

However, not all is bleak (or even a greyer shade of green). The success stories are out there. Radical new and novel products are increasingly not enough to convince people. Consumer pressure, especially among Millennials, combined with increasingly strict law and an institutionalised awareness of the need for businesses to behave responsibly, have brought about a spate of innovations that adhere to the triple-bottom line of People, Planet and Profit, including Chakr’s ink made from recycled diesel fuel pollutants, Allbird’s flip-flops made from sugar cane, Dyson’s bagless hoovers and car manufacturers’ moves to establish electric and hybrid vehicles as a standard offer. All in all, sustainable development requires a combination of technical and social changes, since both are deeply related. There seems to be hope. The technology and willingness are out there. It seems that all it requires is now the capacity to go fast, go clean – and outpace the rate at which the planet’s health is deteriorating with products and services that are both socially responsible, environmentally friendly, and that employ sustainable business practices such as recycling, local distribution networks or cleaner, shorter supply chains.

“
What we need now is the capacity to go fast, go clean – and outpace the rate at which the planet’s health is deteriorating.
”



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BY 2010 SUSTAINABLE DEVELOPMENT HAD BECOME ONE OF THE MOST IMPORTANT "SOCIAL MOVEMENTS" OF MODERN TIMES.

THE ROOTS OF SUSTAINABLE DEVELOPMENT: THE 19TH CENTURY ECOLOGY MOVEMENT, THE ECOLOGICAL MOVEMENTS IN THE PUBLIC SPHERE OF THE 1970S, THE 1987 REPORT BY THE WORLD COMMISSION ON ENVIRONMENT AND DEVELOPMENT (WCED), KNOWN AS THE BRUNDTLAND COMMISSION.

BY 2010, COMPANIES BEGAN TO SEE SUSTAINABLE DEVELOPMENT AS A COMPETITIVE FACTOR THAT EITHER DIFFERENTIATED OR QUALIFIED THEM AND, MOREOVER, HELPED THEM STAY IN BUSINESS.

AS A COMPANY COMMITS TO SUSTAINABLE DEVELOPMENT, IT REQUIRES A NEW WAY OF FACING INNOVATION FOR ITS PRODUCTS AND SERVICES – SUSTAINABLE INNOVATION – A TYPE OF INNOVATION THAT CONTRIBUTES TO ACHIEVING SUSTAINABLE DEVELOPMENT.

SUSTAINABLE INNOVATION CONSIDERS THE THREE DIMENSIONS OF SUSTAINABILITY:

- THE SOCIAL DIMENSION – A CONCERN FOR THE SOCIAL IMPACTS OF INNOVATIONS ON HUMAN COMMUNITIES (UNEMPLOYMENT; SOCIAL EXCLUSION; POVERTY; ORGANIZATIONAL DIVERSITY; ETC.)
- THE ENVIRONMENTAL DIMENSION – A CONCERN FOR ENVIRONMENTAL IMPACTS CAUSED BY THE USE OF NATURAL RESOURCES AND THE EMISSION OF POLLUTANTS
- THE ECONOMIC DIMENSION – A CONCERN FOR ECONOMIC EFFICIENCY – MAKING PROFIT AND GENERATING COMPETITIVE ADVANTAGES IN THE MARKETS THEY OPERATE IN.

THIS MAKES THE INNOVATION PROCESS MORE SOPHISTICATED AND DEMANDING – REQUIRING A GREATER EFFORT FROM ORGANISATIONS IN ORDER TO TECHNICALLY MEET THIS CONDITION

SOCIAL AND ENVIRONMENTAL EFFECTS ARE MORE DIFFICULT TO ASSESS IN ADVANCE AS THEY INVOLVE MANY OTHER VARIABLES, UNCERTAINTIES AND INTERACTIONS.

CONSUMER PRESSURE, COMBINED WITH INCREASINGLY STRICT LAW AND AN INSTITUTIONALISED AWARENESS OF THE NEED FOR BUSINESSES TO BEHAVE RESPONSIBLY, HAVE BROUGHT INNOVATIONS THAT ADHERE TO THE TRIPLE-BOTTOM LINE OF PEOPLE, PLANET AND PROFIT (EX: DYSON HOOVERS, CHAKR'S INK, ALLBIRD'S FOOTWEAR).



Tales Andreassi



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THE CEO'S JOURNEY TO SUSTAINABILITY



Professor of Management at **ESSEC Business School** and spokesman on CSR, **Stefan Gröschl** shares his latest research on ex-Puma CEO Jochen Zeitz and the journey to sustainability.

IMAGINE A JOURNEY. A journey that in many ways echoes the Hero's Journey – the pattern of narrative identified by the American scholar Joseph Campbell that appears in drama, storytelling, and psychological development. This time the story concerns the CEO, and more specifically Jochen Zeitz, the former CEO of Puma and among other things Founder of the Zeitz Foundation for

Intercultural Ecosphere Safety and Co-Founder, together with Sir Richard Branson, of The B Team, a not-for-profit initiative that puts people and planet alongside profit. But Zeitz' story is also a journey that can be modelled and lived by other CEOs the world over – that of sustainability and its development, within the company or organization, from challenge to opportunity to necessity.

Stefan Gröschl, together with fellow researchers Patricia Gabaldón and Tobias Hahn, studied the journey of Jochen Zeitz – research that culminated in the publication of their findings in the *Journal of Business Ethics*. Moving on from previous research into cognitive development in the field of management, Gröschl and his colleagues explored how the changes in a leader's



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mindset relate to his/her views and actions on sustainability. Taking Jochen Zeitz as their focus of study, they illustrate that Zeitz' increasingly complex cognitive patterns during his time as CEO of Puma were associated with his development of an understanding of – and response to – sustainability that went beyond narrow business concerns. By juxtaposing key events and experiences in the biography of Zeitz with the evolution of his views and initiatives on sustainability, Stefan Gröschl and his colleagues identified how his cognitive complexity and his stance on sustainability co-evolved.

Cognitive complexity describes the number of distinctive attributes underlying a person's thinking and how they are connected: this gives the beholder a picture of the world and provides a framework for judgement and decision-making that leads to action. Where do these attributes come from? An initial answer lies in our culture – that is, the values and identity handed down to us from, for example, our family, nationality, religion, social status and profession. But as we live and grow, our experiences, both personal and professional, add themselves on to the framework, connect, and continue to shape our perceptions, decisions and actions. In the field of management, past research has shown that managers take strategic decisions based on selective interpretations of their organizational context through their cognitive frameworks – a process of reducing complexity and structuring ambiguous signals that is called 'sensemaking'.

In the case of CEO Jochen Zeitz, Stefan Gröschl and his colleagues identified six different cognitive lenses that emerged over time, indicating an increased level of differentiation of Zeitz' cognitive pattern: business, cultural diversity, Africa, norm-breaching, environmental consciousness, and spirituality and philosophy. In short, the experiences and contexts Zeitz lived during his time as CEO at Puma contributed to an increasing awareness of sustainability and how it could be linked to business not only for increasing profits but for the necessary good of society and the environment.

THE JOURNEY TO SUSTAINABILITY

When Zeitz came to Puma, the company was struggling and in his first few years as CEO his approach was primarily driven by conventional business and management techniques in an attempt to reduce costs and turn the company around. At a time when the German economy was experiencing rising unemployment, Zeitz cut the German workforce numbers at Puma by a drastic 50%, moving most of the production facilities to low-cost countries in Asia. Despite criticism that Puma was losing its 'made



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in Germany' identity, Zeitz forged ahead regardless to continue to focus on restructuring, investing and developing growth.

However, it was in the process of turning around Puma from a €100m loss-making organisation to a €3bn profit-making business that Jochen Zeitz came to realise that financial success came at a cost to the environment. Traveling across Asia in the early and mid-1990s, he was shocked into realization by the poor working conditions of his suppliers' employees and the environmental damages these suppliers caused. As a reaction, Zeitz implemented a code of conduct in Puma aimed at improving the working and environmental conditions in Puma's suppliers, and with growing environmental consciousness in both Germany and outside Europe, Puma stepped up its sustainability-related activities. In the early to mid-2000s the company terminated partnerships with 35 suppliers for non-compliance with Puma's environmental standards. In parallel, Puma also expanded its auditing to cover all Puma licensees and supported or joined several sustainability-related working groups and NGO initiatives.

But it was also the coming together of Zeitz professional and personal life that gave additional impetus to his sense of sustainable issues. He visited Africa in 1989, fell in love with the country, and bought a farm. Over the next fifteen years or so Zeitz committed to developing sustainability initiatives such as the creation of the Foundation of Intercultural Ecosphere Safety in Kenya to develop sustainable projects that would bring together the '4Cs': wildlife conservation, community, culture and commerce in Africa. Another example included the setting up of a sustainable tourism business Long Run. His experience in Africa confronted him with – to paraphrase Zeitz – the negative sides of business from an ecological point of view, making him realize that it was time to change the way he conducted business.

Altogether, Zeitz' understanding of sustainability and its meaning for doing business evolved when he connected his experiences from running his farm in Kenya with his meetings and discussions with Anselm Grün, German monk and lecturer on spirituality. Accordingly, Zeitz started to combine business aspects with sustainability arguments in his strategic thinking and as all the threads of his experiences came together, Zeitz saw it

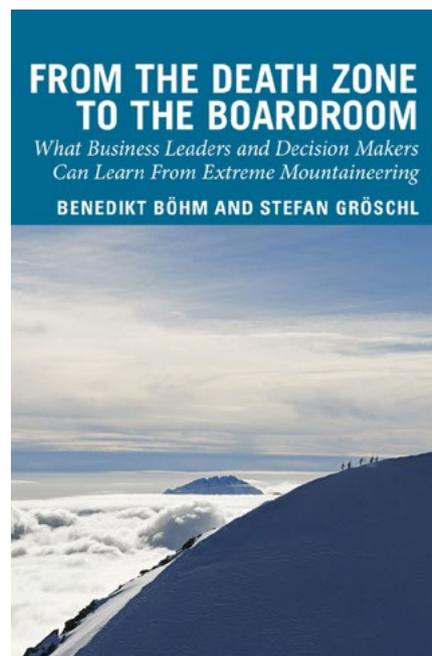
as the moment for the environment to be valued in the same way as business and economic growth. One such illustrative example is that of the introduction of Puma's Environmental Profit and Loss Account (EPL), widely acknowledged as the first comprehensive EPL to be applied by a company.



CEOS AND SUSTAINABILITY: REACH OUT AND GRASP

In terms of practical implications, Gröschl and his colleagues' study underlines the role of cognitive complexity for the transition toward more sustainable business practices. In particular, their findings emphasize the need to encourage leaders to develop their cognitive structures through life experiences and to consider aspects of sustainability that go beyond narrow business considerations. In much the same way as CEOs develop and foster a global mindset for the management of international corporations, the adoption of proactive sustainability initiatives could well make CEOs develop 'sustainable mindsets' – all too important for companies on the front line of sensitive environmental and social issues.

Discover Stefan Gröschl's latest book *From the Death Zone to the Boardroom*



KEY TAKE AWAYS

COGNITIVE COMPLEXITY DESCRIBES THE NUMBER OF DISTINCTIVE ATTRIBUTES UNDERLYING A PERSON'S THINKING AND HOW THEY ARE CONNECTED: THIS GIVES THE BEHOLDER A PICTURE OF THE WORLD AND PROVIDES A FRAMEWORK FOR JUDGEMENT AND DECISION-MAKING THAT LEADS TO ACTION.

THESE COME FROM OUR CULTURE - THE VALUES AND IDENTITY HANDED DOWN TO US FROM OUR FAMILY, NATIONALITY, RELIGION, SOCIAL STATUS AND PROFESSION, AND ALSO OUR PERSONAL AND PROFESSIONAL EXPERIENCES THROUGHOUT OUR LIVES.

MANAGERS TAKE STRATEGIC DECISIONS BASED ON SELECTIVE INTERPRETATIONS OF THEIR ORGANIZATIONAL CONTEXT THROUGH THEIR COGNITIVE FRAMEWORKS - A PROCESS OF REDUCING COMPLEXITY AND STRUCTURING AMBIGUOUS SIGNALS THAT IS CALLED 'SENSEMAKING'.

WHILE TURNING AROUND PUMA FROM A LOSS-MAKING COMPANY TO A PROFITABLE BUSINESS, PUMA CEO JOCHEN ZEITZ REALISED THAT FINANCIAL SUCCESS CAME AT A COST TO THE ENVIRONMENT. CONTACT WITH NATURE AND ALSO AN ELEMENT OF SPIRITUALITY LED HIM TO UNDERSTAND THAT ENVIRONMENT SHOULD BE VALUED IN THE SAME WAY AS BUSINESS AND ECONOMIC GROWTH.

RESEARCH FINDINGS EMPHASIZE THE NEED TO ENCOURAGE LEADERS TO DEVELOP THEIR COGNITIVE STRUCTURES THROUGH LIFE EXPERIENCES AND TO CONSIDER ASPECTS OF SUSTAINABILITY THAT GO BEYOND NARROW BUSINESS CONSIDERATIONS.

THE ADOPTION OF PROACTIVE SUSTAINABILITY INITIATIVES COULD WELL MAKE CEOS DEVELOP 'SUSTAINABLE MINDSETS'.



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PLAYING OUT OF SYNCH: WHAT JAZZ TEACHES BUSINESS LEADERS



Andy Lockett, Dean of **Warwick Business School** and Professor of Strategy and Entrepreneurship together with **Deniz Ucbasaran**, Professor of Entrepreneurship at Warwick Business School, strike a high note with their research into how business leaders can learn from jazz. From the paper.

Adapted from an original piece appearing in Core Insights, Warwick Business School, March 2019.

EVER HEARD THE METAPHOR of the leader as an orchestra conductor? Chances are that if you're in the working world you have. Its roots go back to the management guru Peter Drucker who, in a 1988 Harvard Business Review issue, first made the comparison that the business

world has been exploring ever since – from the Boston Philharmonic Orchestra conductor Benjamin Zander and his book on leadership and creativity, to John Kao, innovation expert and former Harvard faculty, with his book Jamming, a refrain on improvisation and creativity.

In tune with this is a new book Leading Entrepreneurial Teams: Insights from Jazz penned by Warwick Business School's Deniz Ucbasaran, Professor of Entrepreneurship, and Andy Lockett, Dean and Professor of Strategy and Entrepreneurship, and the fruit of their research into famous jazz musicians



“ It is interesting to note that innovation and creativity often go hand-in-hand with failure and disappointment. ”

and the insights they could provide for entrepreneurial team leaders.

STRIKING CHORDS

Why go for jazz? For a start, assert Ucbasaran and Lockett, jazz bands are synonymous with creativity, improvisation and innovation – all essential ingredients for entrepreneurship. Moreover, jazz groups and their members often operate in uncertain and dynamic environments characterised by unpredictable and rapid change – much like those of the entrepreneur. And yet, through collective endeavour many famous jazz bands find their own structure and harmony, despite apparent disorder, and become profitable enterprises – both creatively and commercially.

Initially, Deniz Ucbasaran and Andy Lockett carried out a series of interviews with celebrated names in the jazz world – among them Wynton Marsalis, Jean Toussaint, and the trumpeter Sean Jones. Further research focused on three names that repeatedly came up in their interviews – the jazz trinity Duke Ellington, Miles Davis and Art Blakey – and notably the way that these jazz greats created and managed their musical enterprises. In particular, the research focused on three specific areas of leadership activity: team formation, team co-ordination and team turnover.

A number of strong similarities soon became apparent between the three greats, especially in the way the band leaders used to constitute their diverse teams of talent. In particular, they looked for musicians with a different and unique sound or style that would improve the overall sound of the band – this uniqueness having as much to do with personality as technical proficiency. In a work context, if we take organisations and how they tackle diversity, the conventional approach is to think in terms of gender, ethnicity, cultural background and functional skills. But the evidence from the jazz world suggests that team leaders could attempt a wider concept of diversity when building their teams that takes into account cognitive and personality difference as desirable team attributes. This can be especially relevant for ventures and teams where high levels of creativity are needed – for instance in the media industry, biotech, or high-tech start-ups.

CONFLICTING NOTES

However, highly disparate teams, many different personalities, and high levels of creativity is a spicy recipe for group conflict. It was not surprising then that there was plenty of dysfunctional conflict and disruptive and destructive clashes of egos and personalities in the jazz ensembles.

Traditional team leadership theory suggests that to achieve the best team performance

a leader should foster conflict that promotes productive behaviours – functional conflict – while minimising and eradicating dysfunctional and destructive conflict. But this is difficult when the sources of productive and destructive conflict are the same – that is, differences in personality and thinking.

How does this chime with the past jazz greats? Well, it didn't seem to bother the likes of Ellington, Davis and Blakey. Their attitude was "the music comes first". As such, discordant behaviour was tolerated on a journey towards overall harmony. The bad behaviour of individuals, whether turning up late for practice, or stepping out of a performance to eat a previously ordered steak, was seen as a small price to pay for the moments of musical genius, when everything came together.

Altogether, according to Ucbasaran and Lockett, dysfunctional behaviour appears to go hand in hand with the creative process in these highly disparate teams. Instead of trying to muffle the squabbling, team leaders obtain better results by deploying strategies to benefit from the creative upside of tension and conflict, all the while accepting the problems that arise from "bad" behaviour. In the jazz context, if musicians were late for practice, for example, Duke Ellington did not get angry – he just started without them. What kept these leaders' teams together, however, was an overarching higher goal: to create the best music.



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PLAYING OUT OF SYNCH

It is generally assumed that teams must co-ordinate their behaviour and action to achieve a positive outcome, with the team leader assuming a number of different roles – mentor, model, coach, supervisor, for example – when helping the team achieve its objectives. Indeed, some leaders are very directive, detailing what tasks they want team members to perform, and how they want them to go about those tasks.

But it was different for the approach that Ellington, Davis and Blakey adopted. Informal was the key note and direct, explicit instructions were kept to a minimum. In this sense, the jazz leaders acted more as facilitators, empowering the musicians to collectively co-ordinate their behaviour and action to produce the desired outcome. As Ucbasaran and Lockett note, Davis discouraged band members from rehearsing in case it led to musical clichés from over-practice. Similarly, he often asked his musicians to play a piece in an unusual key, so they did not rely on well-established fingering patterns.

However, this didn't mean that the performers were left to their own devices. The leader created a framework within which team members could work. To quote Ucbasaran and Lockett "this framework balanced guidance and structure with freedom to ex-

plore, express and make mistakes". Ellington, for example, often composed small musical phrases or musical triggers for each musician. This ensured a basic level of co-ordination and pointed them in the right direction, while still providing freedom for the band member to ad-lib and improvise. It is interesting to note that innovation and creativity often go hand-in-hand with failure and disappointment. The courage to try things out inevitably leads to some team members succeeding, others failing. For Profs. Deniz Ucbasaran and Andy Lockett, team leaders should therefore create an environment in which their team members feel safe to experiment, to improvise and take risks. "Do not fear mistakes. There are none." Miles Davis is credited as saying.

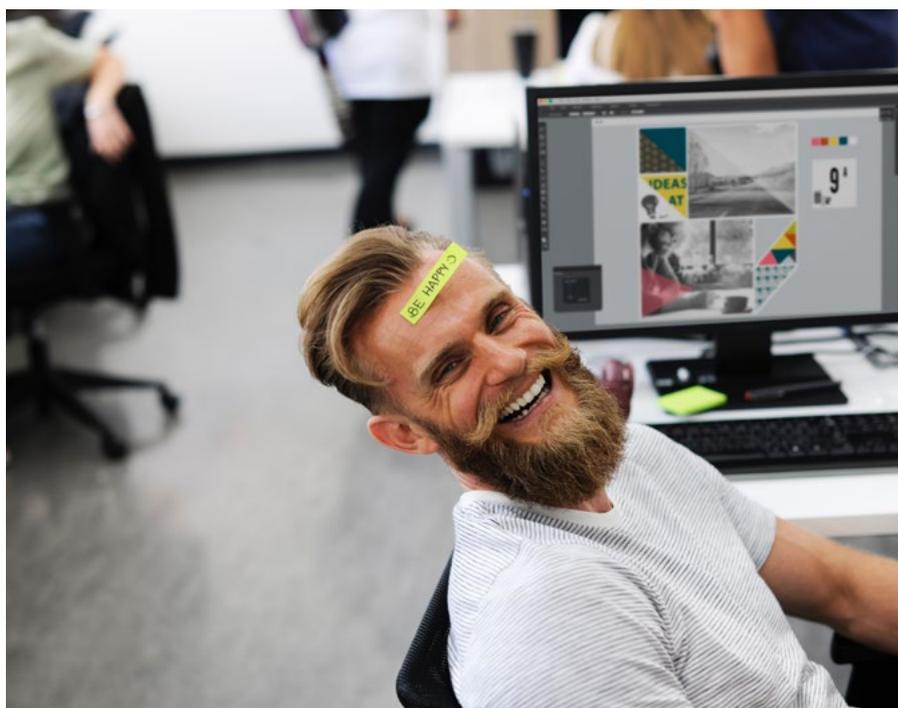
ON AND OFF THE BANDWAGON

The third aspect of leadership covered by their research is that of managing team turnover – people joining and leaving the team. Here again, the general idea in management is that retention of talent is a preferred factor in order to guarantee stability and longer-term results. Not so for the jazz greats: in the jazz ensembles studied, musicians joined and left on a regular basis. Despite the resulting loss of knowledge and skills, this was seen in a positive light, partly because of the benefits of on-boarding new knowledge, ideas and creativity when new members

joined. Moreover, a common reason for jazz musicians leaving was that they felt sufficiently qualified to go and run another band. The three great band leaders were understanding about this, particularly as it was a process they had also been through themselves and in some cases, in particular with Blakey, they actively encouraged and coached team members to become leaders. In other cases, team members left only to return at a later date, and it is here that Ucbasaran and Lockett compare this feature to organisational techniques such as rotational assignments that encourage individuals to gain new skills and knowledge elsewhere and bring them back to the group. It could also be seen as similar to the sabbatical, taking time away from the group and returning with renewed vigour and a fresh perspective on their work.

ENDING ON A HIGH NOTE: THE KEYS TO ENTREPRENEURIAL LEADERSHIP

As the jazz greats Ellington, Davis and Blakey would no doubt agree, there is no magic score that if followed note by note will make you a great leader of creative talent. However, Ucbasaran and Lockett's study of these jazz leaders offers some useful lessons for modern-day entrepreneurial leaders, especially where innovation and creativity are cardinal.



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- Accept that things can go wrong: jazz leaders embraced mistakes as part of the process of creating something new and valuable.
- Create room for experimentation and be forgiving of failure en route to success.
- Maintain a positive relationship with departing talent: in this way, team leaders expand their network where they might find new talent. And there's always the possibility that the departing team member might one day return.
- Tolerate and embrace discordant behaviour.
- Promote individualism and egalitarianism
- Create the space for team members to express themselves and experiment.
- Maximise creativity by minimising authoritarianism and rigidity, and value ambiguity over clarity.
- Restrain from micro-management though create frameworks, triggers and cues, set direction, and provide inspiration.
- Break up routines, stimulate and provoke new responses by proposing new (and uncomfortable) situations.

Take an entrepreneur, a few cues from the aforementioned jazz trio, mix in a little improvisation, and you are more likely to hear the sweet sound of success. As Louis Armstrong once sang: "Now that's jazz".



Andy Lockett



Deniz Ucbasaran

KEY TAKE AWAYS

THROUGH COLLECTIVE ENDEAVOUR, MANY FAMOUS JAZZ BANDS FIND THEIR OWN STRUCTURE AND HARMONY, DESPITE APPARENT DISORDER, AND BECOME PROFITABLE ENTERPRISES - BOTH CREATIVELY AND COMMERCIALY.

IN A WORK CONTEXT, IF WE TAKE ORGANISATIONS AND HOW THEY TACKLE DIVERSITY, THE CONVENTIONAL APPROACH IS TO THINK IN TERMS OF GENDER, ETHNICITY, CULTURAL BACKGROUND AND FUNCTIONAL SKILLS.

EVIDENCE FROM THE JAZZ WORLD SUGGESTS THAT TEAM LEADERS COULD ATTEMPT A WIDER CONCEPT OF DIVERSITY WHEN BUILDING THEIR TEAMS THAT TAKES INTO ACCOUNT COGNITIVE AND PERSONALITY DIFFERENCE AS DESIRABLE TEAM ATTRIBUTES.

FOR THE JAZZ GREATS, DISCORDANT BEHAVIOUR WAS TOLERATED ON A JOURNEY TOWARDS OVERALL HARMONY.

EXPLICIT INSTRUCTIONS WERE KEPT TO A MINIMUM: THE JAZZ LEADERS ACTED MORE AS FACILITATORS, EMPOWERING THE MUSICIANS TO COLLECTIVELY CO-ORDINATE THEIR BEHAVIOUR AND ACTION TO PRODUCE THE DESIRED OUTCOME.

LEADERS SHOULD THEREFORE CREATE AN ENVIRONMENT IN WHICH THEIR TEAM MEMBERS FEEL SAFE TO EXPERIMENT, TO IMPROVISE AND TAKE RISKS.



BUSINESS & WORKPLACE PRACTICES

WHY COMPANIES NEED ROBUST WHISTLEBLOWING PROCEDURES



Marianna Fotaki, Professor of Business Ethics at **Warwick Business School**, speaks up and speaks out on the topic of whistleblowing, a system particular to Anglo-Saxon ethics and compliance procedure.

IN MAY 2018, Jes Staley, CEO of Barclays, the multinational investment bank and financial services firm, was fined by the Financial Conduct Authority and Prudential Regulation Authority for actions that risked undermining confidence in the company's whistleblowing procedures.

His behaviour was held to have fallen short of "the standard of due skill, care and diligence expected". He also repaid a substan-

tial part of his bonus, while Barclays was required to provide details of its whistleblowing procedures to the regulators on an annual basis. The incident showed that, despite measures taken by regulators in recent years and the procedures adopted by organisations, implementing effective speak-up procedures remains a challenge for many organisations. And it is not just in financial services, or indeed in business, but across a range of activities conducted by private and

public sector organisations, from healthcare to engineering, start-ups to governments.

Over the last five years, together with research colleagues Kate Kenny and Wim Vandekerckhove, I have worked on a series of projects related to whistleblowing, studying its benefits, the plight of whistleblowers, efficacy of speak-up processes and many other facets of whistleblowing.

Most recently, following extensive research in a number of large organisations, some multinational, both in the public and private sectors, we have developed evidence-based guidelines and recommendations that senior managers, HR professionals, and compliance officers can use to design and implement effective speak-up arrangements.

WHAT ARE THE BENEFITS OF WHISTLEBLOWERS SPEAKING UP?

Before discussing these recommendations further it is worth noting the reason that whistleblowing is encouraged and protected in many jurisdictions is that it is considered to be beneficial for organisations and society.

Without protection, the fate of the whistleblower is, all too frequently, to be actively silenced, discouraged and vilified, and to suffer harm both economically and to their physical and mental well-being. Indeed, we might be better served by avoiding the emotive, mildly pejorative term "whistleblowing" and instead using a less stigmatising alternative such as "raising concerns", or "speaking up".

Whistleblowers, in the main, are not narcissistic attention-seekers, betraying their colleagues. Instead, our research shows that they tend to be people who have a regulatory obligation to report, or feel a strong duty to the norms of their profession. They act out of a desire to stop wrongdoing and prevent it from recurring. And they do so often with great concern about whether their actions will harm their colleagues, or the image of the organisation that they want to protect.

As for organisations, they should not fear whistleblowers. There are many incentives for setting up robust whistleblowing procedures. For example, raising concerns helps to identify wrongdoing in organisations, something that organisations seem to find difficult, even when wrongdoing is systemic.

Nor is it sensible for organisations to signal that turning a blind eye to wrongdoing is appropriate behaviour. Tolerance of organisational wrongdoing and cover-ups can even translate into a mistrust of democratic and other important institutions. And, if trouble is stored up over time, when wrongdoing finally comes to light the damage is often far



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greater than if it is detected earlier. It can result in financial damage in the form of lost revenues and falling share price, in addition to the costs of fixing the problem.

Research from 2012 shows that 40 percent of 5,000 firms studied had suffered from serious economic crimes resulting in an average of more than \$3 million each in losses. While the 2017-18 Global Fraud and Risk Report by global risk consultants, Kroll, shows that insiders were the main perpetrators of fraud and whistleblowers, rather than internal audit or management, were the most effective means of uncovering fraud, exposing 47 percent of fraud incidents.

While at a basic level, adopting robust procedures can enable organisations to avoid the reputational damage that accompanies a situation where a whistleblower feels ignored by management and compelled to take a matter public. It should also reduce the prospects of the whistleblower suffering damaging repercussions. Some might argue that sufficient legislation and regulations are in place to protect whistleblowers in many countries. But evidence, including our own observations, suggests that legislation is failing to protect whistleblowers adequately and is not being translated into appropriate practices within organisations.

The barriers to adequate protection of whistleblowers are many. Senior managers complicit in or at least indifferent to wrongdoing, toxic organisational cultures, visibly poor treatment of whistleblowers, a lack of action or change after raising concerns,

these are all deterrents to speaking up. Organisations need to go beyond paying lip service to the notion of enabling and protecting whistleblowing and implement genuinely effective speaking up arrangements. In our paper *Designing and Implementing Effective Speak-up Arrangements* we set out 12 recommendations to help organisations do this. It is worth highlighting some of the key themes that underpin our recommendations, in particular – channels and access, responsiveness and feedback, and trust and transparency.

1 CHANNELS AND ACCESS

It is important to provide easy access to speak-up arrangements. In practice, this means providing a range of different channels because trust in the process, built through familiarity and positive experiences, is likely to lead to changes in the access channels that are used the most. These channels include, and this is not exhaustive, informal channels, email and web applications, internal and external hotlines, and independent external advice.

It is also important to make allowances for cultural factors, including the interaction between organisational and national culture. Our research suggests that culture affects the channels that employees prefer to use to voice concerns. For example, employees in the UK, US and Latin America were less willing to use an external ombudsperson to raise concerns than employees in Germany, the Middle East and Asian countries.

Firms that ignore cultural differences, that try to standardise speak-up arrangements across territories, risk making the process more difficult to access for many employees. Another example of how firms can enable access to speak-up arrangements is by providing channels in multiple languages - at the very least in the local languages spoken by employees.

2 RESPONSIVENESS AND FEEDBACK

Effective speak-up arrangements ensure that concerns are responded to in a timely and effective manner, where possible. Responsive speak-up arrangements build confidence and encourage more use by employees.

A responsive system is one that is well organised, clearly mandated, and adequately resourced. A good example of the kind of problems that arise is the early dismissal of issues as grievances that are more appropriate for HR to deal with. However, what initially appear to be grievances may, on more thorough investigation, lead to details about serious compliance related wrongdoing. It is important, therefore, for organisations to be prepared to identify and respond to both grievance and wrongdoing related concerns.

Equally, organisations must be capable of dealing with an increase in the volume of concerns raised. That might be due to examples of whistleblowing and wrongdoing being publicised in the media, or changes in attitude towards certain types of behaviour more generally in society, such as less tolerance of wrongdoing and increased transparency thanks to social media and the internet. Organisations should also be aware of possible barriers to responsiveness. Perceptions around responsiveness are especially important.

For example, there may be legal limitations to what can be communicated about an investigation or outcome. However, organisations can take steps to manage expectations by explaining about legalities and providing indicative timescales for follow-up activities.

It may be difficult for organisations to be seen to be responding. Responses, such as sanctions taken against individuals, may lack visibility for a variety of reasons. Here, organisations can create a generalised perception



of a responsive organisation by implementing various measures. They might for example, where the matter is not a compliance issue, try to include the person who raised the concern in efforts to devise a solution. Responsiveness can also be improved by continuously stressing to managers that responding to concerns is part of their role and limiting the discretion they have with respect to that role.

Another effective measure would be to provide this information in the annual report as a way of demonstrating the company's responsiveness in dealing with concerns raised and commitment to protecting those who raise them.³ Trust and transparency

There are several ways that organisations can help create the trust and transparency essential for effective speak-up arrangements. For example, including the HR function as well as compliance, can encourage people to perceive speaking-up arrangements as being about well-being and engagement, not just policing and compliance.

Even the act of implementing effective speak-up practices itself can build trust. Other trust-building factors include involving competent independent specialist speak-up operators and including unions. Also, allowing employees who raise concerns to help develop solutions, where possible, can change collective understanding and behaviour of arrangements in a positive way. Transparency, to the extent that it is possible

without endangering the confidentiality and safety of whistleblowers, is also an essential aspect of building confidence in speak-up arrangements.

Actions that create transparency include recording speak-up events and including speak-up data in organisational reporting. Senior managers might, for example, publish aggregate numbers in the annual report and report performance against a best practice framework.

“ Responsive speak-up arrangements build confidence and encourage more use by employees. ”



© Romano Tivani

3 WHY WE NEED MORE CHAMPIONS FOR WHISTLEBLOWERS

The recommendations we make in our paper are a great start for organisations determined to implement good practices around speak-up arrangements. However, although necessary, these measures are not sufficient alone to embed good practices systemically.

In the same way that business accepted the need for good CSR practices, we need leaders in the field to step forward as speak-up champions, to set and maintain standards, to evidence the evaluation and process of speaking-up. These leaders will publicise the benefits of effective speak-up arrangements. And not just the obvious economic benefits, but also the benefits in terms of becoming a more attractive employer and building better stakeholder relationships, for example. Then, hopefully, other organisations will follow these pioneers.

Perhaps we also need a more visible nudge from policymakers. Meaningful incentives and obligations. Powerful signalling that policymakers and regulators understand the importance of whistleblowing and have the resolve necessary to encourage, enable, and protect, the practice of speaking up.

Because in doing so, senior managers, policymakers and regulators, together, are helping to create a society fit for the 21st century. A society where we can be confident that the vast majority of organisations are not only good places to work, but institutions that we can be proud of.

ADOPTING ROBUST PROCEDURES CAN ENABLE ORGANISATIONS TO AVOID THE REPUTATIONAL DAMAGE THAT ACCOMPANIES A SITUATION WHERE A WHISTLEBLOWER FEELS IGNORED BY MANAGEMENT AND COMPELLED TO TAKE A MATTER PUBLIC.

IT SHOULD ALSO REDUCE THE PROSPECTS OF THE WHISTLEBLOWER SUFFERING DAMAGING REPERCUSSIONS.

IT IS IMPORTANT TO PROVIDE DIFFERENT CHANNELS AND EASY ACCESS TO SPEAK-UP ARRANGEMENTS. THESE INCLUDE INFORMAL CHANNELS, EMAIL AND WEB APPLICATIONS, INTERNAL AND EXTERNAL HOTLINES, AND INDEPENDENT EXTERNAL ADVICE.

CULTURE AFFECTS THE CHANNELS THAT EMPLOYEES PREFER TO USE TO VOICE CONCERNS. FOR EXAMPLE, EMPLOYEES IN THE UK, US AND LATIN AMERICA WERE LESS WILLING TO USE AN EXTERNAL OMBUDSPERSON TO RAISE CONCERNS THAN EMPLOYEES IN GERMANY, THE MIDDLE EAST AND ASIAN COUNTRIES.

CONCERNS SHOULD BE RESPONDED TO IN A TIMELY AND EFFECTIVE MANNER. INCLUDING THE HR FUNCTION AS WELL AS COMPLIANCE, CAN ENCOURAGE PEOPLE TO PERCEIVE SPEAKING-UP ARRANGEMENTS AS BEING ABOUT WELL-BEING AND ENGAGEMENT.

TRUST-BUILDING FACTORS INCLUDE INVOLVING COMPETENT INDEPENDENT SPECIALIST SPEAK-UP OPERATORS AND INCLUDING UNIONS.

TRANSPARENCY IS IMPORTANT. ACTIONS THAT CREATE TRANSPARENCY INCLUDE RECORDING SPEAK-UP EVENTS AND INCLUDING SPEAK-UP DATA IN ORGANISATIONAL REPORTING.

LEADERS IN THE FIELD ARE NEEDED TO STEP FORWARD AS SPEAK-UP CHAMPIONS, TO SET AND MAINTAIN STANDARDS, TO EVIDENCE THE EVALUATION AND PROCESS OF SPEAKING-UP.



Marianna Fotaki

SOCIAL RESPONSIBILITY: DISTINGUISHING THE TALKERS FROM THE WALKERS



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Tanusree Jain, Professor in Ethical Business at **Trinity College Dublin Business School**, looks at how some firms use CSR for talk, while others actually walk the talk: an important test for any corporate stakeholder before getting involved with a firm.

First published in original version in The Irish Times under the title *Cheap talk can cost when it comes to social responsibility*

SHAREHOLDERS TODAY look towards firms not only to maximise financial returns but to do so while focusing on creating value for other societal stakeholders. But for Prof. Jain, while there are some companies doing an outstanding job at living these values, others often employ smart self-promotional material

with a view to greenwash themselves.

'Corporate social responsibility (CSR) and sustainability reporting has become mainstream and a sophisticated machinery of corporate communication and public relations professionals are involved to paint a credible picture of

businesses worldwide,' states Jain. Little wonder then that the 2017 Edelman Trust Barometer reported that only 37 percent of the 33,000 people questioned across 28 countries believed in the credibility of CEOs. Public trust in CEOs is at its lowest point in two decades or so.



CALL MY BLUFF

While there could be many reasons for falling public trust in CEOs, much of the scepticism is about integrity and the need for managers and leaders to walk the walk, asserts Prof. Jain. 'If some CEOs engage in cheap talk, the question is how can one confidently call their bluff? How do you differentiate between corporate communications that are genuine from those that represent mere public posturing?'

Tanusree Jain observes from her research that firms and their executives have a strong incentive to project an image that conforms to societal values and expectations. Pick up a CEO letter from a large global company and one can find in it a narrative that often goes beyond the bottom line to integrating CSR and sustainability in corporate functioning.



If some CEOs engage in cheap talk, the question is how can one confidently call their bluff?



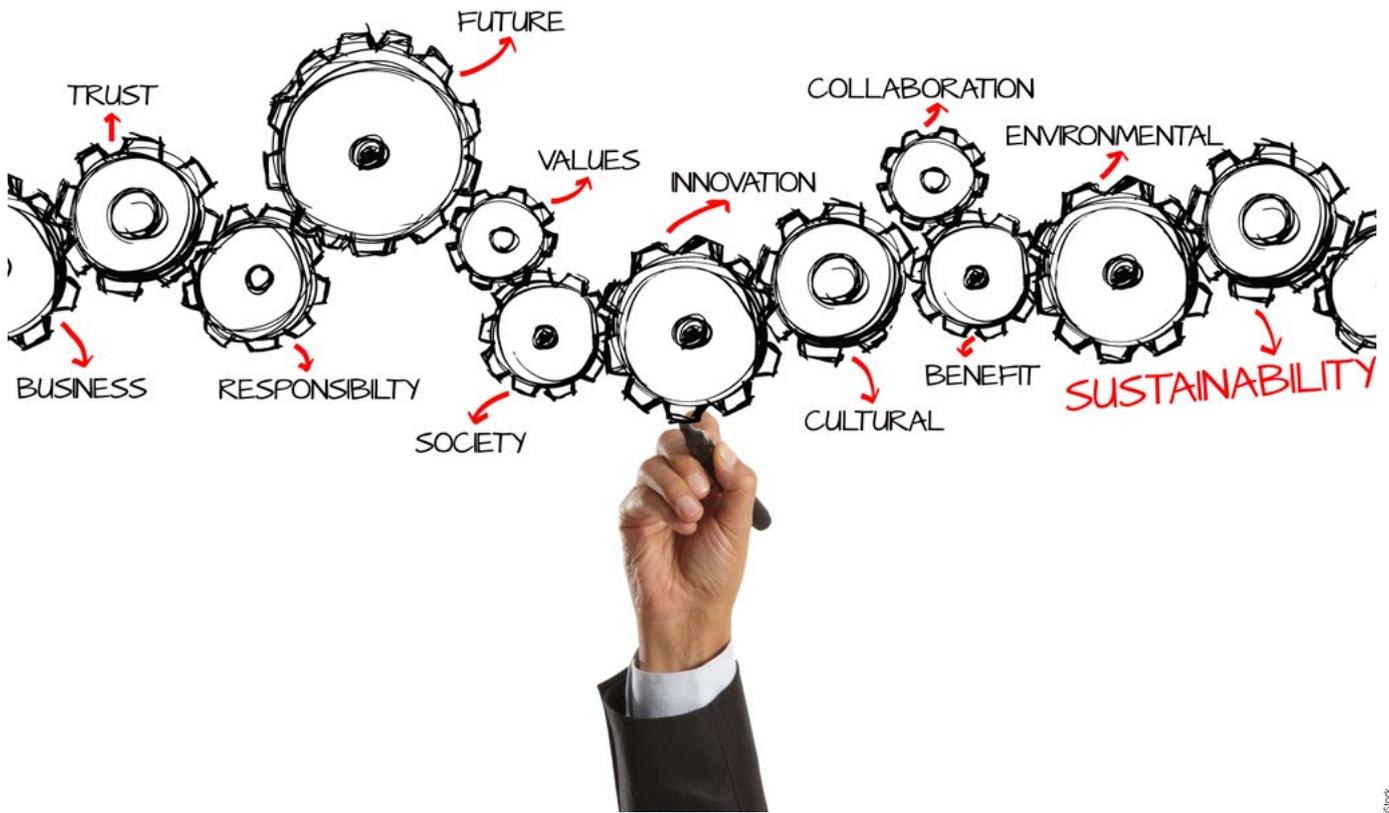
SEPARATING THOSE WHO TALK FROM THOSE WHO WALK

Clearly, says Jain, providing such information adds to the reputation of firms and establishes them as a green player. It gives them a social licence to operate.' However, she finds that when times are tough and firms face threats to their legitimacy, corporate narratives are likely to change. 'The emphasis moves to those issues that are critical to survival and independence, leaving out those that were meant only for the purpose of image creation in good times,' she states. 'Closely tracking inconsistent narratives over good times and bad, such as in case of financial

crisis or takeover bids, is telling in revealing cheap talk.'

Such behaviour is not surprising. When firms face threats that can endanger their survival, corporate leadership will obviously do all it can to alleviate that threat. Yet firms are likely not to compromise on their core values, be it customer service, sustainability, social mission, or even the maximising of profit for shareholders - irrespective of the ferocity of the threats they face. 'Take for example the case of Unilever,' adds Jain, 'the Anglo-Dutch consumer goods conglomerate, and its takeover of Ben and Jerry's, a gourmet ice-cream company with a strong social mission, in a \$326 million (€265 million) deal.





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When news of the potential takeover broke out, there were fears that Ben & Jerry's would become a soulless subsidiary of a large multinational. Weathering the storm, Ben & Jerry's kept up the pressure to save its underlying social mission and purpose, and intensified its efforts with a view to signalling what mattered most to the business in times of a crisis. The takeover did happen but, notably, a unique agreement was created between the two companies in which it was agreed that the acquired Ben & Jerry's would function as an independent entity with an independent board that would focus on the company's social causes, separate from Unilever's existing ice-cream business at the time.'

PEOPLE UNDERSTAND THE BENEFIT

'If we fast-forward 17 years,' continues Jain, 'Unilever itself was threatened with a \$143 billion (€116 billion) merger approach by Kraft Heinz, a rival US food company. Unilever's CEO Paul Polman, who joined the company in 2009, made strong statements on the issue of sustainability. He emphasised that Unilever was running not on a quarterly basis and that some of the challenges it

faced were more long term in nature. Polman believed that a merger with Kraft Heinz would result in a massive cost-cutting exercise to make Unilever financially viable for its new investors post-merger.

While Polman agreed that Unilever needed a cost-restructuring plan, he was quoted as saying: "I have to find a balance between not giving up on our long-term sustainable compounding model. Seventy per cent of our shareholders have been with us for seven years, and 85 percent of them say that sustainability is very important. They know that you need to have a responsible contract with society to take costs out of your system, to lower risk, to attract the right people. People understand the benefit."

Unilever successfully avoided the merger. For Prof. Jain, the underlying logic is that if a company perceives a specific stakeholder or stakeholder concern as critical, their executives will exhibit consistency in their communications towards them and intensify their efforts to find an agreeable solution, particularly in case of crises and threats.

Looking at how a corporate leadership narrative revolves and evolves on stakeholder issues before and during tough times can

help in separating the wheat from the chaff or, in this case, identify the genuine from cheap talk embedded in the avalanche of glossy communications that firms often produce. 'It's here,' asserts Prof. Jain, 'that an important lesson lies for corporate stakeholders looking to judge companies before they get involved in them.'



KEY TAKE AWAYS

SHAREHOLDERS TODAY LOOK TOWARDS FIRMS TO MAXIMISE FINANCIAL RETURNS AND ALSO FOCUS ON CREATING VALUE FOR OTHER SOCIETAL STAKEHOLDERS.

SHAREHOLDER DECISION TO INVEST NEEDS TO BE FOUNDED ON CLEAR AND TANGIBLE EVIDENCE THAT A FIRM IS ACTIVE AND COMMITTED TO CSR.

HOWEVER, PUBLIC TRUST IN CEOs AND THEIR COMPANIES IS AT ITS LOWEST POINT SINCE THE EARLY 1990S AND GREENWASHING WIDELY USED BY COMPANIES TO ENHANCE THEIR VISIBILITY AND REPUTATION CONTRIBUTES TO THIS DISTRUST.

CLOSELY TRACKING CORPORATE NARRATIVES OVER GOOD TIMES AND BAD, SUCH AS IN CASE OF FINANCIAL CRISIS OR TAKEOVER BIDS, IS TELLING IN REVEALING THE REAL LEVEL OF COMMITMENT OF A COMPANY TO CSR.

WHEN TIMES ARE TOUGH AND FIRMS FACE THREATS TO THEIR LEGITIMACY, CORPORATE EMPHASIS MOVES TO ISSUES THAT ARE CRITICAL TO SURVIVAL AND INDEPENDENCE, LEAVING OUT THOSE THAT WERE MEANT ONLY FOR THE PURPOSE OF IMAGE CREATION IN GOOD TIMES.

IF A COMPANY PERCEIVES A SPECIFIC STAKEHOLDER OR STAKEHOLDER CONCERN AS CRITICAL, THEIR EXECUTIVES WILL EXHIBIT CONSISTENCY IN THEIR COMMUNICATIONS TOWARDS THEM AND INTENSIFY THEIR EFFORTS TO FIND AN AGREEABLE SOLUTION, PARTICULARLY IN CASE OF CRISES AND THREATS.

AND FIRMS WHOSE CORE VALUES INCLUDE CSR ARE NOT LIKELY TO DROP THEM EVEN IN TIMES OF CRISIS. EXAMPLES INCLUDE BEN & JERRY'S AND UNILEVER.



Tanusree Jain



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TALENT – TO BE AND NOT TO BE



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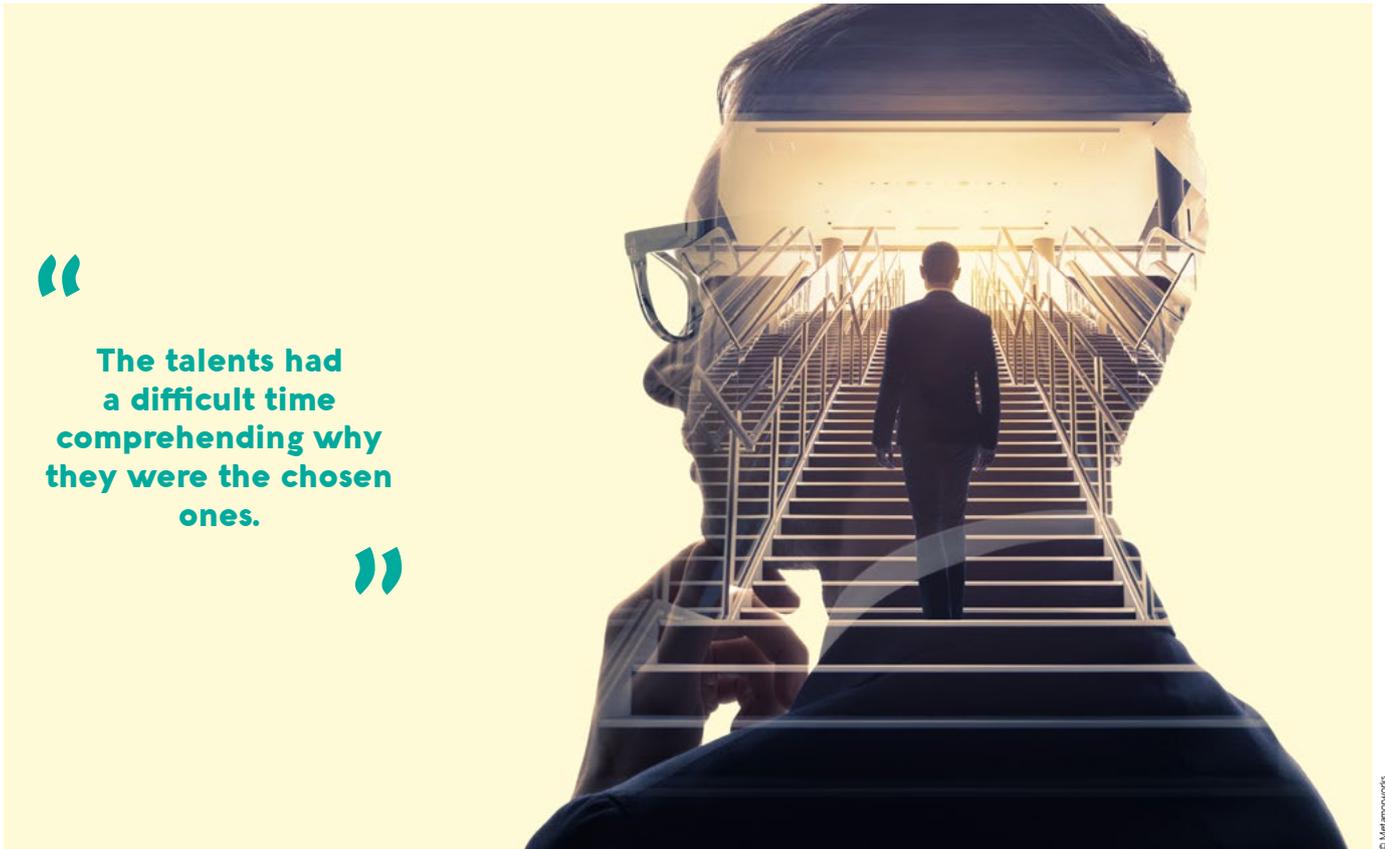
Prof. **Sachiko Yamao** of **Keio Business School** joins forces with Profs. **Jennie Sumelius** and **Adam Smale** of **University of Vaasa** to explore the imperative, albeit sensitive issue of recognising high-potential employees in an organisation.

From a paper entitled "Mixed signals: employee reactions to talent status communication amidst strategic ambiguity".

WHO DOESN'T ENJOY a bit of recognition? You would probably be deluding yourself if you said you didn't. But surprisingly the joy of recognition can be rather fleeting in cases where recognition is shrouded

in ambiguity. Organisations approach talent management with the goal to ensure long-term efficiency in terms of higher productivity and lower turnover. Yet, the way they manage talent can sometimes lead to the

exact opposite of the original intent – employee dissatisfaction and resentment, not just from the employees who are not identified as 'talents' but also from the ones identified as high-potential. Ironic, isn't it?



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The talents had a difficult time comprehending why they were the chosen ones.



ZOOMING IN ON THE TALENT MANAGEMENT OF FINNS

There is a plethora of evidence to suggest that differential management of employees according to their relative potential contributes to an organisation's competitive advantage. But what is equally important, and often ignored, is how companies communicate about talent status to their employees. As such, Profs. Yamao, Sumelius and Smale decided to examine the reactions of the high-flyers and 'B' players on finding out about their status in an organisation.

The researchers conducted 24 in-depth, qualitative interviews of individuals who are either working for or have worked in the past for the Finnish subsidiary of a US technology firm. This firm, dubbed FinnTech, adopts an approach of strategic ambiguity in talent status communication. This means that only employees identified as 'talents' are formally notified about their status on a one-to-one basis. While this comes with special access to various projects and trainings reserved exclusively for the talents only, these high-flyers are still in the dark about the long-term consequences of their status upgrade. Meanwhile, the 'B' players –

or those not identified as talents – receive no communication whatsoever on the existence of talent pools. This, by itself, is innocuous, until the grapevine creeps in to reveal to these employees about the existence of talent pools and their exclusion from that pool. This method of talent management does not sit comfortably in Finland, which is hallmarked by strong egalitarian values.

YOU ARE IT!

It is no surprise that FinnTech employees identified as talents experienced pride and a sense of achievement upon being recognised by the top management. The initial excitement of having gained recognition was, however, rapidly replaced by a more complex emotion revolving around the following:

- 1) **Why me?** The talents had a difficult time comprehending why they were the chosen ones. Was it just because of their good performance or did it also involve factors such as marketing oneself and building a good relationship with supervisors?
- 2) **Am I always going to be considered a high-potential employee?** In addition

to not being aware of the criteria for talent pool inclusion, talents were also not aware of the duration of their status, and what was required to maintain it. This uncertainty was definitely a source of unease for them. Making sense out of this new psychological contract between themselves and the organisation was not very simple.

- 3) **Do I have to burn the midnight oil now?** The talents also wondered if their status upgrade meant having to work significantly more, and not necessarily on value-adding projects. Our Finnish talents mentioned that they had to engage in preparation of corporate kick-off meetings and in planning of new work premises after their status upgrade. They perceived these tasks to be an unsolicited burden on their existing workload rather than an activity meant to nurture their personal development. In addition, these talents felt that they were being constantly scrutinised by top management. This exerted upon them a pressure to invest additional time in their work to prove that they were worthy of the special status.



© One

THE WOES OF THE UNCHOSEN ONES

For the 'B' players who were not deemed worthy of receiving the 'talent' status, the misery comes in two tiers. As our respondents confided, first, they were disappointed not to have been among the cherry-picked in the organisation. But then the disappointment was further amplified by the fact that they were not even notified about the existence of a talent pool or the requirements to get into one.

The self-awareness of 'B' players about their status in the company emerged through a blurred, iterative process of analysing subtle signals in the corporate grapevine. It is quite natural that this process of discerning one's own status based on informal cues was not a pleasant experience. They, too, wondered

why some of their peers were chosen and they were not. Was it really a lack of merit or was it because they had not engaged in ostentatious displays of self-promotion? Was it because they had not networked with the 'right' people? So, in the end, it was their perception about their status that bothered them more than the status itself. The unease led to resentment and uncertainty about their future with the company, eventually leading some to quit the company.

It is understandable that FinnTech probably opted for ambiguous, targeted communication in order to reduce potential negative reactions such as envy, decreased motivation, and turnover intentions from the 'B' players. However, this is a rather myopic approach as deliberately maintaining information asymmetry can cause unhealthy, unconfirmed assumptions to persist. At the

same time, one could say that it is also a tad bit unethical to keep employees in the dark about their careers.

Organisations need to acknowledge the fact that most 'B' players will eventually find out about their non-status one way or another. Openness about the existence of talent pools may thus be a better approach. But then again, explicit communication on talent pool should always be accompanied by a way-forward on future development opportunities for those not in the talent pool.





Jennie Sumelius



Sachiko Yamao



Adam Smale

KEY TAKE AWAYS

ORGANISATIONS APPROACH TALENT MANAGEMENT WITH THE GOAL TO ENSURE LONG-TERM EFFICIENCY IN TERMS OF HIGHER PRODUCTIVITY AND LOWER TURNOVER.

THE WAY OF MANAGING TALENT CAN SOMETIMES LEAD TO THE EXACT OPPOSITE OF THE ORIGINAL INTENT - EMPLOYEE DISSATISFACTION AND RESENTMENT FROM HIGH POTENTIALS AS WELL AS THE UNRECOGNISED.

THE WAY HOW COMPANIES COMMUNICATE ABOUT TALENT STATUS TO THEIR EMPLOYEES IS IMPORTANT.

TALENTS MAY HAVE DIFFICULTY COMPREHENDING WHY THEY WERE THE CHOSEN ONES. TALENTS MAY ALSO BE UNAWARE OF THE DURATION OF THEIR STATUS, AND WHAT IS REQUIRED TO MAINTAIN IT. TALENTS MAY ALSO WONDER IF THEIR STATUS UPGRADE MEANS HAVING TO WORK SIGNIFICANTLY MORE, AND NOT NECESSARILY ON VALUE-ADDING PROJECTS.

ALTERNATIVES SUCH AS 'TALENT TEAMS', OR OTHER FORMS OF POSITIVE FEEDBACK AND STATUS-ENHANCEMENT SUCH AS INTERESTING ASSIGNMENTS AND OPPORTUNITIES TO PURSUE OWN PROJECTS MAY BE SOLUTIONS TO THE ABOVE.

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***“Education is the way
to liberate every human being.”***

**Hirokazu Kono, Dean and Professor,
Operations Management, Keio Business School**

FROM ART TO SCIENCE: A PARADIGM SHIFT IN PEOPLE MANAGEMENT



Prof. Valery Yakubovich, ESSEC Business School, along with **Prof. Peter Cappelli** and **Prof. Prasanna Tambe** from **Wharton School** of the University of Pennsylvania, explore the potential of applying artificial intelligence to human resource management.

From the paper *Artificial Intelligence in Human Resources Management: Challenges and a Path Forward* By Prasanna Tambe, Peter Cappelli, and Valery Yakubovich, *California Management Review*, 2019.

INCORPORATING SCIENCE INTO HUMAN RESOURCE MANAGEMENT

AS ARTIFICIAL INTELLIGENCE ra-

pidly gains traction in industries like health-care, companies are beginning to investigate the potential of AI in management of employees. Today only 22% of firms say that they have adopted analytics in human re-

sources. This can be ascribed to the huge disconnect between the data science community, which understands analytics but not HR, and the HR community, which understands HR but not analytics.



tics that have been associated with great job performance, this data can be used to select candidates in the future. Some companies like IBM also use algorithms to recommend trainings for their employees, based on the experiences of similar employees or their own preferences, much like how Netflix recommends content to its viewers. We have gleaned some interesting insights on how AI can be leveraged for human resource management from a 2018 workshop that brought data science faculty together with the heads of the workforce analytics function from 20 major US corporations.

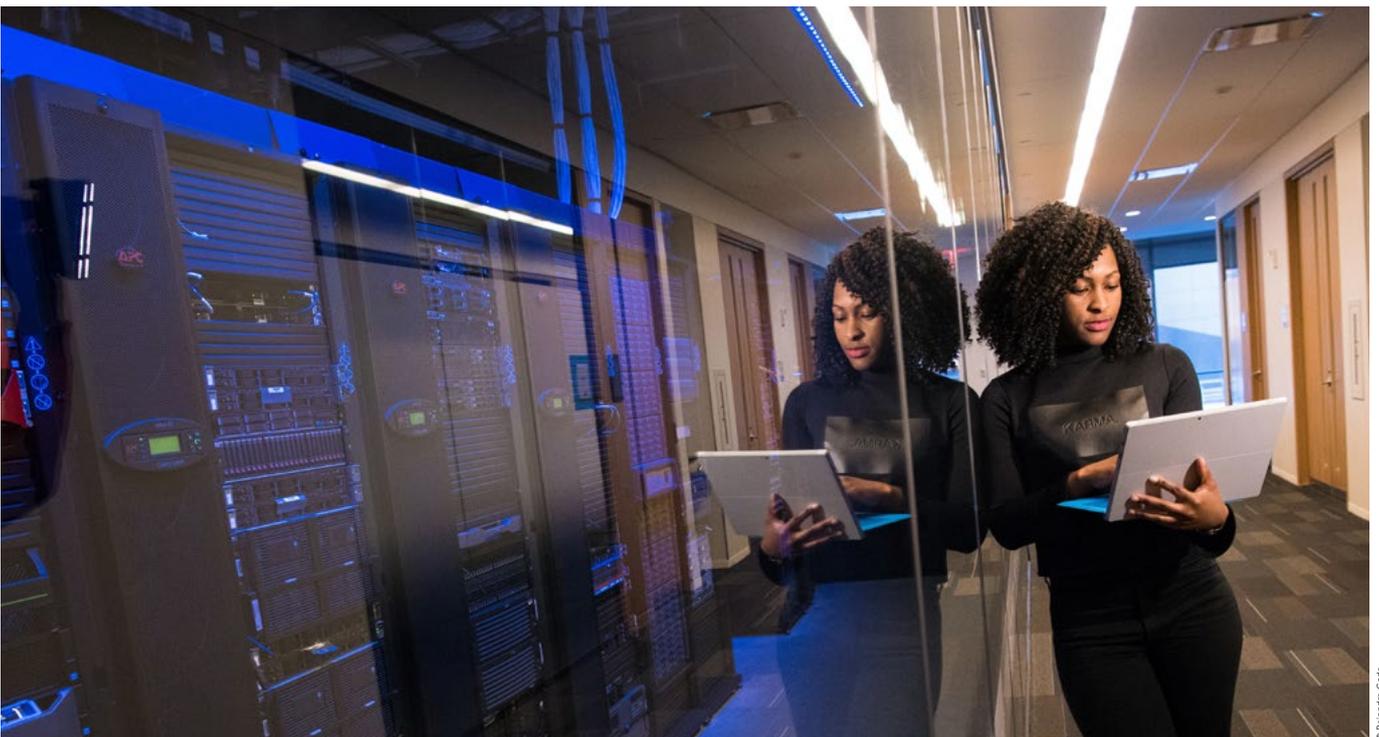
BUT WHAT IF THE MACHINE SAYS “HIRE MORE WHITE MEN”?

The trade-off between efficiency and appropriateness can be tricky when it comes to AI in HRM. An algorithm which looks into attributes of good performers in the current workforce may very well recommend you to hire more white men. More often than not, this is due to the algorithm reproducing the lack of demographic diversity in historical data. Imagine the social and legal repercussions of acting on this recommendation! The fact that the company had hired fewer women or ethnically diverse people in the past does not imply these groups are poor performers. As such, it is important to build algorithms on more objective measures, such

We often ignore the fact that the myriad HR operations from hiring and training to performance management produce an incredible volume of data, often in the form of “digital exhaust” in the virtual space. Such digital exhaust, along with HR Information Systems, can be synthesized to build algorithms that can improve the efficiency of future HR operations. For example, once we have a view of all the applicant characteris-

as who gets dismissed for poor performance, for instance. The different challenges facing the application of AI to human resource management can be classified into 4 categories:

- 1. Complexity of HR Phenomena:** It is not fair to label someone a “good employee” based on his/her performance appraisal scores. This is because most jobs are reasonably complex and interdependent with other jobs, rendering it difficult to disentangle individual performance from group performance.
- 2. Small Data:** The data sets in human resources tend to be quite small by the standards of data science. Even the large corporations do not have enough employees or datapoints to enhance the predictive accuracy of machine learning.
- 3. Ethical and Legal Constraints:** As soon as a machine starts to make hiring and firing decisions, issues of procedural justice begin to surface. Employers must be able to explain and justify their practices in order to ensure that they are perceived as fair.
- 4. Employee Reactions to AI Management:** Some applicants today are beginning to reverse engineer algorithms; once they discover how a hiring algorithm functions, they can respond differently in interviews and render the algorithm worthless.



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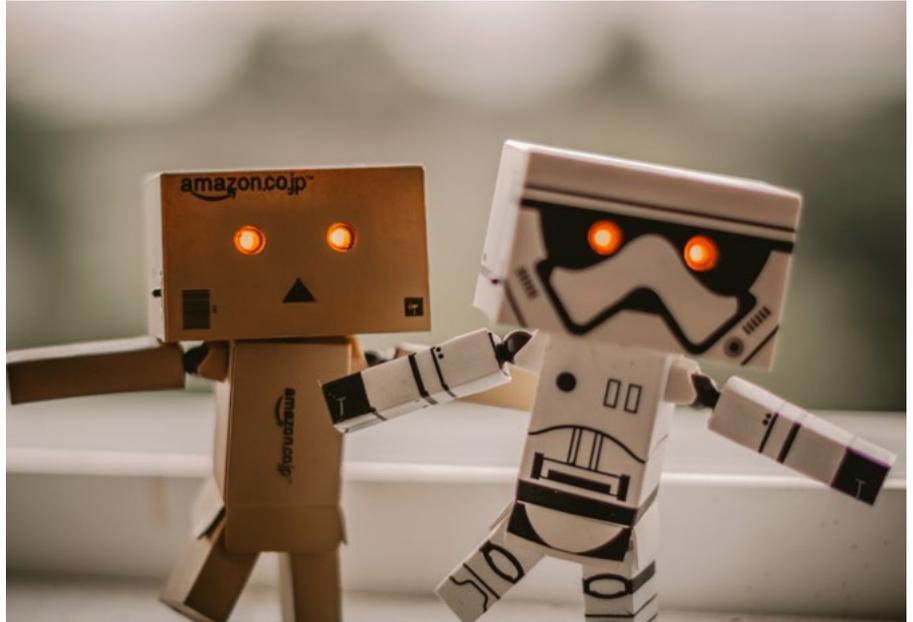
GETTING THE DATA RIGHT

Before launching a major Digital HR project, employers should determine what data is necessary and audit what is already available. For example, if a company wants to use a machine-learning algorithm in hiring, it needs to collect historical data on job candidates who were not hired as much as it needs data on the ones hired.

Once they know what data is required, companies often invest a lot of money to collect aggregated data on source of applicants, compensation, performance and so on. This is great because specialised vendors can combine data from hundreds of client companies to generate their algorithms. But then a client company often does not know how to integrate the data collected from different vendors because the different systems are rarely compatible. In fact, most of the HR practitioners we spoke to reported that they still use Excel – instead of more purpose-built tools – to manage their data from different sources. Problems of data integration aside, there is also the issue of being able to gauge the extent to which an algorithm built on data from diverse sources will make effective predictions in a specific organisation.

In order to benefit from a digital transformation, companies could start off with a few important steps:

- Aggregate data from multiple perspectives over time. Data sharing between the HR department and other functions should be made a priority in the short-run, and investment in data standardization and platform integration a priority for the long-run.
- Set objective performance measures: These measures should be complemented with more subjective evaluations to capture the less tangible outcomes, such as employee fit into company culture.
- Develop a causal model: Small data, coupled with managerial experience, should be used to identify causal predictors of the outcome of interest. Google runs randomised experiments for HR phenomena such as the optimal number of interviews per job candidate to test out causal assumptions. This is important because AI-analyses can be worthless in absence of a solid causal model that generates the outcome of interest.



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DEALING WITH THE 'BAD' ALGORITHMS

HireVue is a vendor which helps companies to conduct video interviews and then uses facial expressions to predict candidates' future performance in the company. But the bias lies in the fact that the algorithms used for prediction are trained on data from other top performers at the client firm. By examining only those who are successful, HireVue is essentially ignoring the factors which distinguish the best performers from other performers.

There is also the fact that employees of a company are usually comprised of majority populations (e.g. white employees) and minority populations (e.g. African American employees). Algorithms that maximise predictive success for the population as a whole may discriminate against predictive success for the minority population. This problem can be resolved by generating separate algorithms for each population. But that leads to the risk of a conflict with legal and ethical norms of equal treatment. In a nutshell, the trade-off between accuracy and fairness is not easy to manage when implementing machine learning.

“ The trade-off between efficiency and appropriateness can be tricky when it comes to AI in HRM. ”

EMPLOYEE REACTIONS TO HRM TRANSFORMATION

Employers are increasingly delving into the social media pages of their employees or leveraging on technology to gauge the tone of comments that employees post on internal chat boards. This helps employers to predict employee flight risk. But naturally, employees consider such practices as infringements upon their privacy. The fact that data can persist well beyond its intended use is generating even more controversy. As a result, computer scientists are actively working to randomize data during the collection process in order to gather useful information about the population while learning nothing about an individual.

Employers who are delegating formal decision making to AI are also walking on thin ice. Imagine an employee who shares a great workplace relationship built around trust and empathy with her manager. If her manager requests her to work an extra weekend shift, she is probably not going to complain. But if it's software that generates this schedule, she is likely to be rather disgruntled since there is no goodwill between her and the programme. The repercussions extend to good news as well. When an employee receives a bonus, it leads to an amiable relationship between the employee and her supervisor if the supervisor appears to have been involved in the decision. This does not happen if the decision for a bonus comes from an algorithm.

NEED FOR A PARADIGM SHIFT IN MINDSET

Algorithms have been proven to perform better than human judgment when it comes to predicting repetitive outcomes. Unfortunately, though, the decision to apply machine learning to human resource management is riddled with trade-offs and controversies. Computer algorithms of causal discovery could help to minimise the causal dependence on factors outside an individual's control, such as their race or birthplace. The perception of fairness can also be enhanced through randomisation.

But none of this would bear fruit without a transformation in the mindset of HR leaders and line managers. They need to train themselves to make informed use of the insights generated by workforce analytics. A digital transformation will be possible only when employers understand and facilitate machine learning in a way that minimises the tension between efficiency and appropriateness, and ultimately contributes to the company's bottom-line.



Valery Yakubovich

KEY TAKE AWAYS

TODAY ONLY 22% OF FIRMS SAY THAT THEY HAVE ADOPTED ANALYTICS IN HUMAN RESOURCES. THIS CAN BE ASCRIBED TO THE HUGE DISCONNECT BETWEEN THE DATA SCIENCE COMMUNITY AND THE HR COMMUNITY.

THE MYRIAD HR OPERATIONS FROM HIRING AND TRAINING TO PERFORMANCE MANAGEMENT PRODUCE AN INCREDIBLE VOLUME OF DATA: THIS CAN BE SYNTHESIZED TO BUILD ALGORITHMS THAT CAN IMPROVE THE EFFICIENCY OF FUTURE HR OPERATIONS. HOWEVER, IT IS IMPORTANT TO BUILD ALGORITHMS ON MORE OBJECTIVE MEASURES.

THE DIFFERENT CHALLENGES FACING THE APPLICATION OF AI TO HUMAN RESOURCE MANAGEMENT CAN BE CLASSIFIED INTO 4 CATEGORIES: **COMPLEXITY OF HR PHENOMENA, SMALL DATA** (WHICH MAKES IT DIFFICULT TO ACHIEVE PREDICTIVE ACCURACY), **ETHICAL AND LEGAL CONSTRAINTS**, AND **EMPLOYEE REACTIONS TO AI MANAGEMENT** (SOME APPLICANTS TODAY ARE BEGINNING TO REVERSE ENGINEER ALGORITHMS).

TO AVOID BIAS, SEPARATE ALGORITHMS SHOULD BE GENERATED FOR EACH POPULATION WITHIN A COMPANY (I.E. BLACK VERSUS WHITE, AGE GROUPS, ETC.)

TO AVOID BREACH OF PRIVACY, COMPUTER SCIENTISTS SHOULD WORK ON RANDOMIZING DATA DURING THE COLLECTION PROCESS IN ORDER TO GATHER USEFUL INFORMATION ABOUT THE POPULATION WHILE LEARNING NOTHING ABOUT AN INDIVIDUAL.

A DIGITAL TRANSFORMATION WILL BE POSSIBLE ONLY WHEN EMPLOYERS UNDERSTAND AND FACILITATE MACHINE LEARNING IN A WAY THAT MINIMISES THE TENSION BETWEEN EFFICIENCY AND APPROPRIATENESS, AND ULTIMATELY CONTRIBUTES TO THE COMPANY'S BOTTOM-LINE.

SOCIAL RESPONSIBILITY AND WIN-WIN SUPPLY CHAIN



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Prof. **Qiyang Hu, School of Management Fudan University**, and fellow researchers Jiguang Chen, School of Management, Shandong University, and Jing-Sheng Song, Fuqua School of Business, Duke University, share research into the CSR benefits of win-win supply chain management.

From a paper entitled "Mixed signals: employee reactions to talent status communication amidst strategic ambiguity".

SOME EVENTS STRIKE our memories and remain. For the working world, one such event was the tragedy at the Rana Plaza factory in Bangladesh in April 2013, when at least 1,129 factory workers died when their building collapsed on them. This

was the worst disaster in the history of the global clothing industry, following several others around the same period and in the same country. Not surprisingly, the tragedies sparked a debate on the issue of responsibility among the big western brands to ensure

employee safety in developing countries whose economies rely on low-cost production. Some attributed the poor working conditions, at least in part, to the low profit margins in contracted factories. Inevitably, the tragedy also generated intense scruti-



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ny of companies' global supply chains and a spate of research into the nature and impact of contractor-supplier relationships.

Much of this research went into studying the vertical competition and tension between contractor and supplier – in some ways, the study of win-lose scenarios. Prof. Qiying Hu, School of Management Fudan University and his fellow researchers, decided to change the perspective and focus their research on bilateral commitments in the supply chain – in other words, win-win agreements and their positive impact on socially responsible operations.

FAIR GAME

Their method was to apply five different game scenarios on two supply chain partners – each scenario reflecting a different power position of the players and different levels of commitment to the business deal. A feature of the game scenarios was that each player maximized its own profit while making a certain commitment to its partner. The results gleaned from the experiments enabled the behaviour of each supply member to be assessed both individually and across the entire chain, as well as the conditions under which both players were better off with mutual commitments (win-win) than without. In essence, the researchers sought to solve three questions: How supply chain members' mutual commitments impacted the profit of the supply chain and their own profitability; under what situations would mutual commitments increase both players' profits; and finally, what the effect of the relative power of the supply chain members was. These are important in the sense that they are closely related to the notion of socially responsible operations. Specifically,

they help shed light on corporate social responsibility for supply chain partners such as suppliers' working conditions, business sustainability (each member's prosperity), and profitability in terms of shareholders' economic benefit.

GOING FOR THE WIN-WIN

The results of Prof. Qiying Hu et al were conclusive – a win-win situation via ex ante mutual commitments in the form of the contractor's minimum profit commitment and the supplier's minimum quantity commitment expands the total chain profit and makes each partner better off than in the competitive chain. There are several key ingredients for achieving this. Firstly, to achieve win-win, both parties need to be mutually supportive and make reciprocal commitment. Unless both partners are mutually supportive in making comparable bilateral commitments, one party may be worse off compared to making no commitment – and the positive

benefit of the chain may not last. As such, when goodwill is demonstrated, agreements have a better chance of being sustained. Secondly, as a result, mutual commitments are usually imbedded in long-term partnerships with repeated interactions. In particular, the research highlights that to achieve win-win, not only the contractor's commitment is important, but a comparable reciprocal commitment from the supplier is also necessary. For example, promising to use the increased profit to improve workers' safety.

FREEING UP THE CHAINS – TOWARDS MORE SOCIALLY RESPONSIBLE OPERATIONS

In today's increasingly globalized environment with new suppliers and emerging markets, an increasing number of companies recognise the mutual dependence of supply chain partners in value creation. When making business decisions, they take into consideration their partners' bottom line



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profitability. As a powerful buyer, McDonald's China, for instance, commits not only to offering its potato suppliers in Inner Mongolia a procurement price which marks up the supplier's cost by a decent margin, but also adjusts the price annually to take into account risk factors such as bad weather affecting crops. Reciprocally, the supplier commits to fulfilling the giant's order, the exact size of which is only decided after McDonald's demand is realised. In Japan too, large car manufacturers guarantee their suppliers satisfactory profits who, in turn, reserve capacity for them or set a higher priority for fulfilling their orders. Or then again, the example of Caterpillar who, during the financial crisis of 2008 committed to increasing local dealers' profits by providing various forms of insurance to support the purchase and leasing of Caterpillar equipment and shouldering a share of the inventory by delaying its collection of receivables. In this way, Caterpillar established a base level for the dealers' profit margins, and the dealers ensured that the in-stock rate met certain targets.

IT TAKES A TRAGEDY

All in all, the recognition of mutual dependence along the supply chain requires the identification and setting up of reciprocal concerns. After the Rana Plaza tragedy mentioned at the beginning of this article, several European retailers signed a legally binding agreement to improve safety in Bangladeshi factories. In 2014, H&M partnered with 18 brands to assist suppliers in improving their workers' safety. Prof. Hu's research points to commitment from the contractor benefitting the chain by allocating a bigger portion of the chain profit to the supplier. And although larger supplier profits do not automatically mean improved worker safety, they do represent a dimension of social responsibility in the sense that an adequate profit is likely a necessary condition for safety. Above all, the research shows that it is indeed possible to care about the supply chain partners' bottom line without sacrificing one's own profitability. This makes everyone happy. In short, it's a win-win.



Qiying Hu



KEY TAKE AWAYS

THE RANA PLAZA FACTORY TRAGEDY IN BANGLADESH IN APRIL 2013, WHEN AT LEAST 1,129 FACTORY WORKERS DIED WHEN THEIR BUILDING COLLAPSED ON THEM, WAS THE WORST DISASTER IN THE HISTORY OF THE GLOBAL CLOTHING INDUSTRY. IT SPARKED A DEBATE ON THE ISSUE OF RESPONSIBILITY AMONG THE BIG WESTERN BRANDS TO ENSURE EMPLOYEE SAFETY IN DEVELOPING COUNTRIES WHOSE ECONOMIES RELY ON LOW-COST PRODUCTION.

THE SUPPLY CHAIN: A WIN-WIN SITUATION VIA EX ANTE MUTUAL COMMITMENTS IN THE FORM OF THE CONTRACTOR'S MINIMUM PROFIT COMMITMENT AND THE SUPPLIER'S MINIMUM QUANTITY COMMITMENT EXPANDS THE TOTAL CHAIN PROFIT AND MAKES EACH PARTNER BETTER OFF THAN IN THE COMPETITIVE CHAIN.

TO ACHIEVE WIN-WIN, BOTH PARTIES NEED TO BE MUTUALLY SUPPORTIVE AND MAKE RECIPROCAL COMMITMENT.

MUTUAL COMMITMENTS SHOULD BE IMBEDDED IN LONG-TERM PARTNERSHIPS WITH REPEATED INTERACTIONS.

AN INCREASING NUMBER OF COMPANIES RECOGNISE THE MUTUAL DEPENDENCE OF SUPPLY CHAIN PARTNERS IN VALUE CREATION: WHEN MAKING BUSINESS DECISIONS, THEY TAKE INTO CONSIDERATION THEIR PARTNERS' BOTTOM LINE PROFITABILITY.

THE RECOGNITION OF MUTUAL DEPENDENCE ALONG THE SUPPLY CHAIN REQUIRES THE IDENTIFICATION AND SETTING UP OF RECIPROCAL CONCERNS.

IT IS POSSIBLE TO CARE ABOUT THE SUPPLY CHAIN PARTNERS' BOTTOM LINE WITHOUT SACRIFICING ONE'S OWN PROFITABILITY: IT IS WIN-WIN.

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BRAZIL: A WHOLE NEW BALL GAME IN ETHICAL INVESTMENT



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Paulo D. Branco, Vice Coordinator of Center for Sustainability Studies at **FGV EAESP** (FGVces) and **Aron Belinky**, Coordinator of the **FGVces** Sustainable and Consumption Program and Executive Coordinator of **ISE**, explain the high-scoring reputation of Brazil in ethical investment.

PIONEERING THE SUSTAINABILITY INDEX IN SOUTH AMERICA

BRAZIL has long-been a pioneer in sustainability indexing in South America and among developing countries with the first ISE portfolio, the Corporate Sustainability Index of the Brazilian stock exchange, launched on

December 1st, 2005. Since then, it has been renewed annually, the current portfolio of companies being its 13th in a row. However, the roots of the process go back further to June 2003, when the first talks at Bovespa – the name of the Sao Paulo Stock Exchange at that time, now part of a bigger company called B3 – took place. Originally an initiative sparked by ABN Amro Real, a bank that in the

early 2000s pioneered the creation of ethical funds in Brazil, at that time seeking a CSR-related fund to benchmark its performance, this launched a series of discussions which resulted in the creation of ISE. *

We make the case that the pioneering role of ISE was actually a result of a larger movement that was happening in Brazil when

a number of social-environmental initiatives from the private sector were championed by a generation of business leaders, mostly concentrated in organizations such as Instituto Ethos, Fundação Abrinq, GIFE (*Group of Companies, Institutes and Foundations*), IBGC – the Brazilian Institute for Corporate Governance – and CEBDS (the Brazilian chapter of WBCSD). Among many other events and processes, the reasons explaining why these groups and leaders first appear can be tracked back to the re-democratization of Brazil in the late 1980's, the subsequent Rio Conference in 1992, the creation of the Millennium Development Goals in year 2000 and the Rio+20 in 2012. Moreover, the modernization of Brazil's capital market and banking system also played a key role in the context.

As such, the ISE has deep roots in participatory, democratic and sustainability values which still today make its methodology and agenda truly unique in global terms. Despite recent backlashes opposing such values in some countries, including Brazil, we still have a very significant set of business-sector players – articulated with civil society, academia and governmental sectors – that strive to keep the agenda and move it forward. For all we can see, ISE will still be a pioneer and an innovator when it comes to championing and disseminating sustainability in the private sector – this with a modern and motivating vision of the future combined with an effective focus on business strategies and practices.

BRAZIL VERSUS REST-OF-WORLD

Thanks to broad global consensus on the corporate sustainability agenda, most stock exchange sustainability indexes focus on essentially the same aspects, in line with what has been explicitly or tacitly agreed in instruments such as Agenda 2030 and its SDGs (Sustainable Development Goals), ISO 26000, the Paris Agreement, and GRI (Global Reporting Initiative) standards to name but a few. On the other hand, there are several differences regarding methodologies and ways of working between what ISE does and the rest of the world. Without entering into details about other specific indexes, it is possible to highlight several main characteristics of the ISE, and point out how they differ from those of other indexes.

We must first clarify that ISE is not a measure of a single company's sustainability performance: it is the indicator of the evolution of the value of a portfolio composed by shares of companies selected on the basis of how well they incorporate sustainability in their strategies, policies and practices. This assessment is founded on a broad, self-declaratory voluntary questionnaire, and analyzed in both absolute and relative terms. Only companies willing to engage in the selection process answer the questionnaire and are assessed. A very important feature of the ISE's questionnaire is that it is continuously improved and updated through public debate with the wide participation of companies, their stakeholders, and other parties interested in the issues of corporate sustainability. This not only ensures that the agenda remains valid, but also the expectations about what companies should do.

Unlike the ISE, many other indexes start by screening listed companies based on their own frameworks and attributing a score to each company together with its supporting evidence. Companies are then invited to complement this initial assessment which leads to a final score and then to the decision to include or not the company's papers in the index portfolio. Both ISE's and other approaches have their merits, and we be-

lieve that for smaller markets like the Brazilian stock market an approach such as the ISE is more feasible and more likely to engage companies.

Likewise, in ISE's selection process, a qualitative documental check is performed on a random sample of each company's answers so as to provide an indicator of how credible their general answers are likely to be. Companies with bad performance in this verification process are less likely to be selected to the portfolio. The individual answers of each company are published, enabling public scrutiny of what they declare to occur. Questioning by stakeholders about the veracity of such answers may also play against the permanence of a company in ISE's portfolio. This aspect of transparency is also key to ISE's success and differentiation.

And finally, another important aspect is that ISE's selection methodology is not a purely mathematical algorithm: the whole process keeps track of each company's performance in seven different sustainability dimensions, thereby allowing a multi-perspective view. As such, bad performance in one dimension won't be compensated by good scores in other. Finally, all this information is finally submitted to thorough debate on the ISE's Deliberative Board whose members are



made up of representatives of 11 institutions and organizations firmly rooted in different sectors related to ISE's agenda, such as associations of stock market and investment players, CSR organizations, governments and financial institutions.



The ISE has deep roots in participatory, democratic and sustainability values which still today make its methodology and agenda truly unique in global terms.



OF SKEPTICISM, TRUST, AND GOOD INTENT

In many aspects, setting up ISE and keeping it running for almost 15 years has been a challenge. Although there were interesting technical obstacles to overcome regarding the scoring methodology, creating the algorithm for the selecting process and the IT system to support the whole thing, the most challenging aspects for us were the negotiation of the questionnaire structure and content, and the commitment of companies and other stakeholders – all of these being processes that actually happened in close relation with each other. The main obstacles were the skepticism of many actors, and for different reasons. For some, especially NGOs and labor organizations, the risk of greenwashing was far too big, and trust in the selection process wasn't something that could be taken for granted. For others, such as less engaged or excessively pragmatic market and corporate players, the whole thing seemed to be a time-consuming and focus-dispersing adventure, that could even trigger unnecessary friction with stakeholders that would otherwise remain traditionally immobile. To solve such deadlock, the credibility that FGV and the team was able to gather and harness was essential. In addition, while credibility was indeed very important, the really crucial aspect for success

was the transparency and adherence to a clear, open and well-intended process. It was only by this that it was possible to create the essential trust and dialogue required to build a common agenda and the collective deep-rooted process that supports ISE.

PLAYING IN THE BIG LEAGUE

Regarding the impact of ISE, there is unfortunately no formal assessment to show but there is much evidence that it has relevant impact both to companies at individual level and to broader society and the market. This includes for instance, the fluctuations in companies' share values that coincides with their presence or absence in the ISE portfolio, or the actions and words of high level executives and their staff regarding such situations as well as specific aspects of company performance. It is also telling evidence that ISE is frequently mentioned – by companies, practitioners, academia, media and governmental bodies – as a reference for the business sustainability agenda.

To date, more than 170 companies have participated in the selection process of the ISE, and only about 70 of those have been in its portfolio for at least a year. Moreover, besides the possibility to be part of the ISE's portfolio, participating in the selection process is in itself an extraordinary opportunity for self-assessment, diagnosis and planning for the overwhelming majority of these companies. Based on the structure of the ISE questionnaire that attempts to evaluate the existence of policies, processes, practices and metrics, participating companies can identify strengths and weakness that help them to design and implement a sustainability strategy and an action plan.

AIMING FOR THE BRIGHTER FUTURE

Although "ethical investment" may be a term used by many, we believe it is not the best term to describe what ISE and other similar indexes are about. "Ethical" conveys the idea of a moral judgement of certain sectors and types of business, and while this can be the case of investors such pension funds of reli-



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gions institutions – indeed, there is nothing wrong with that – the term cannot apply to many others and, as we see, might constitute a lower potential for mainstreaming and scaling up.

This being said, it would be good news if people were able to bring an ethical dimension into their decision-making processes and daily lives. However, there are stronger and less controversial arguments to voice if we look to the terms “sustainable investment” or “responsible”, or “green”, or even “social investment”. The argument here is essentially based on the idea that we are in the throes of a rapid transition to an entirely different business environment triggered by a combination of technological, environ-

mental, cultural and demographic transformations. Companies that have succeeded in the not-so-distant past may not survive in the coming – and somehow already present – environment. This is the emerging profile of sustainable investment: not just looking at companies that do good, but rather trying to sort out those who are catching up with the transition – and thus contributing to a fairer and more sustainable world – and those who are lagging behind, unable or unwilling to update their businesses; or those who are too attached to their past and current assets and advantages, regardless how incompatible with the new environment they might be. Divestment from carbon-intensive portfolios, getting read of stranded assets and searching for innovative positive-impacting

emerging businesses are clear signs of how investors are reacting to this situation. That’s why, far from a passing fashion, we trust we are talking about a near and brighter future.

* Details of the story of ISE can be found in a bilingual book celebrating ISE’s 5th anniversary, *ISE – sustentabilidade: no Mercado de capitais*



KEY TAKE AWAYS



Paulo D. Branco

THE FIRST ISE PORTFOLIO, THE CORPORATE SUSTAINABILITY INDEX OF THE BRAZILIAN STOCK EXCHANGE, WAS LAUNCHED ON DECEMBER 1ST, 2005, THE RESULT OF A LARGER MOVEMENT WHEN A NUMBER OF SOCIAL-ENVIRONMENTAL INITIATIVES FROM THE PRIVATE SECTOR WERE CHAMPIONED BY A GENERATION OF BUSINESS LEADERS

THE ISE HAS DEEP ROOTS IN PARTICIPATORY, DEMOCRATIC AND SUSTAINABILITY VALUES WHICH STILL TODAY MAKE ITS METHODOLOGY AND AGENDA TRULY UNIQUE IN GLOBAL TERMS

ISE IS NOT A MEASURE OF A SINGLE COMPANY'S SUSTAINABILITY PERFORMANCE: IT IS THE INDICATOR OF THE EVOLUTION OF THE VALUE OF A PORTFOLIO COMPOSED BY SHARES OF COMPANIES SELECTED ON THE BASIS OF HOW WELL THEY INCORPORATE SUSTAINABILITY IN THEIR STRATEGIES, POLICIES AND PRACTICES.

A QUALITATIVE DOCUMENTAL CHECK IS PERFORMED ON A RANDOM SAMPLE OF EACH COMPANY'S ANSWERS SO AS TO PROVIDE AN INDICATOR OF HOW CREDIBLE THEIR GENERAL ANSWERS ARE LIKELY TO BE. COMPANIES WITH BAD PERFORMANCE IN THIS VERIFICATION PROCESS ARE LESS LIKELY TO BE SELECTED TO THE PORTFOLIO.

ISE'S SELECTION METHODOLOGY IS NOT A PURELY MATHEMATICAL ALGORITHM: THE WHOLE PROCESS KEEPS TRACK OF EACH COMPANY'S PERFORMANCE IN SEVEN DIFFERENT SUSTAINABILITY DIMENSIONS.

FLUCTUATIONS IN COMPANIES' SHARE VALUES COINCIDES WITH THEIR PRESENCE OR ABSENCE IN THE ISE PORTFOLIO.

ISE IS FREQUENTLY MENTIONED - BY COMPANIES, PRACTITIONERS, ACADEMIA, MEDIA AND GOVERNMENTAL BODIES - AS A REFERENCE FOR THE BUSINESS SUSTAINABILITY AGENDA.

COMPANIES CAN IDENTIFY STRENGTHS AND WEAKNESS THAT HELP THEM DESIGN AND IMPLEMENT A SUSTAINABILITY STRATEGY AND AN ACTION PLAN.

DIVESTMENT FROM CARBON-INTENSIVE PORTFOLIOS, GETTING RID OF STRANDED ASSETS AND SEARCHING FOR INNOVATIVE POSITIVE-IMPACTING EMERGING BUSINESSES ARE CLEAR SIGNS OF HOW INVESTORS ARE REACTING.

THE EMERGING PROFILE OF SUSTAINABLE INVESTMENT IS NOT JUST LOOKING AT COMPANIES THAT DO GOOD, BUT SORTING OUT THOSE WHO ARE CATCHING UP WITH THE TRANSITION, THOSE LAGGING BEHIND, UNABLE OR UNWILLING TO UPDATE THEIR BUSINESSES, OR THOSE WHO ARE TOO ATTACHED TO THEIR PAST AND CURRENT ASSETS AND ADVANTAGES, REGARDLESS OF HOW INCOMPATIBLE WITH THE NEW ENVIRONMENT THEY MIGHT BE.



Aron Belinky

A SPOONFUL OF ETHICS, A SPRINKLING OF CULTURE

Downsizing: What makes a bitter recipe sweeter?



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Professor Aarti Ramaswami, ESSEC Business School, Asia-Pacific, Director of the **ESSEC Global MBA** programme, digs deep into the sensitive issue of downsizing to reveal the factors across countries that make it either indigestible for stakeholders – or easier to swallow.

From the paper Ethics Trumps Culture? A Cross-National study of Business Leader Responsibility for Downsizing and CSR Perceptions: C. Lakshman, Aarti Ramaswami, Ruth Atlas, Jean F. Kabongo, J. Rajendran Pandian. Journal of Business Ethics.

Downsizing – the conscious, planned effort to reduce employee numbers to achieve objectives – has been used since the 1980s to cope with the tough demands of a rapidly globalizing and increasingly technological economy. It can be a bitter pill to

swallow – not only for employees but also for communities and, paradoxically, for the very leaders who make the decision to cut the workforce: they may ultimately end up carving themselves out of a job too. What makes the medicine – if indeed downsi-

zing is medicine – easier to swallow? What is the effect on how both victims and survivors view the company's responsibility? And is downsizing more easily accepted in America, western Europe, Asia, or Eastern Europe? These are the questions Prof. Aarti

Ramaswami of ESSEC Business School and her fellow researchers sought to explore through their study. The results are revealing.

A RECIPE FOR ALARM

Downsizing a firm's workforce is sometimes necessary. At other times it can be viewed with skepticism bordering on cynicism. Research in 2007 by Jeffrey Brookman of Idaho State University indeed seemed to demonstrate a positive relationship between the equity portfolio incentives of CEOs and their layoff decisions. Other research points to the commonly held beliefs among top execs that downsizing announcements are associated with positive stock returns. In any case, downsizing is a dirty job all told, that inevitably leads to generating victims, survivors, and perceived persecutors – each shouldered with their resulting psychological side effects. But not only are a firm's employees and management concerned. In many cases, it is the wider community of stakeholders that is impacted – be they the stores next door which rely on the spending power of the firm's workforce, local schools, and even the firm's shareholders themselves. If the firm's downsizing is perceived as unjust, then share price can plummet.

This is where the notion of CSR comes in – the commitment of businesses to contribute to sustainable economic development while acting as a good corporate citizen by balancing the interests of everyone – employees,

the local community, and society at large. As seen on many occasions through media coverage of factory closures and business layoffs, public opinion is important. It can even, in certain cases, bring governments to intervene to broker emotions and attempt to quash wider unrest that may in turn damage their own credibility in the popularity polls. It is crucial then for management to show their internal and external stakeholders that the decision to downsize is justified. Moreover, it is necessary to be seen as ethical for it to be also seen as socially responsible.

CUTTING ACROSS CULTURES

Aarti Ramaswami's research builds on previous work to include an interesting new angle: that of how downsizing is experienced not only through the layers of a firm and its outside stakeholders, but also across borders and cultures. She and her colleagues took populations from four countries – 626 working professionals and master's students from the USA, France, India and Estonia – to see if the same effects were felt and whether the fact of having different cultures modified the feelings of either unacceptable injustice or justified acceptance at the downsizing decision.

The choice of culture was shrewd, the USA being where downsizing is perhaps most commonly used to turn around organisational performance; France using downsizing

despite often largescale public outcry and a complex labour law; India in its traditions versus economic growth showing an increase in downsizing incidence and finally Estonia, sitting between Scandinavian and eastern European cultures, having undergone immense change from guaranteed jobs and passive business performance under the former soviet regime to a full market economy within EU membership – with all its vacuum of meaning this shift has left.

THE GOOD, THE BAD, AND THE UGLY

The effects of a botched downsizing strategy can be disastrous on a human level. Those that are laid off – the victims – may go through the typical range of psychological states when faced with shock or trauma: denial, anger, shame, sadness, depression. In the worst cases, this process may repeat itself in an infernal emotional loop that goes on for years after. We might also believe that those who keep their jobs – the survivors – come out of it happy. In fact, their lot can be almost as traumatic as the victims: anger, fear for the future, lack of motivation to continue the effort to work and interact harmoniously with their management, relief but also guilt. The degree of reaction – negative or positive – depends on two things.

The first is how those chosen to lose their jobs are selected. If individual employees are treated on the merit they each deserve and the criteria is considered fair – not simply sacking someone because they fail to wear a smile or because their skin colour is different, but measured by their level of work performance, commitment or skills sets – then the downsizing decision is likely to be seen as ethical and pragmatic. Organisations that do not use clearly specified criteria are seen by employees as socially irresponsible. Unsurprisingly, communities outside the firm will also take the same view.

The second factor is all about employee perceptions of procedural justice – use of improper procedures and lack of employee involvement leave the decision-makers wide open to claims of being unethical. Prof. Ramaswami suggests that when employees are kept in the dark with little communication and detail – and subject to having downsizing imposed on them – they are likely to find that unethical. This dimension is also an



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important area of assessment for CSR. Supervisory support, clearly defined lay off criteria, good procedure, the possibility for employees to express themselves and trust in management are therefore key to obtaining the notion that although tough, the decision to downsize is justified and fair.

RESPONSIBILITY COMES WITH A PRICE

People tend to search for someone responsible for the plight of those who lose their jobs or faced by job insecurity and uncertainty. As such, the CEO's decision to downsize is critical in influencing people's reactions. As already stated, there might be a temptation to streamline in the belief that the firm's stock price increases, though new evidence points to this being short-term in nature and only effective in periods of economic non-recession. In any case, a CEO's prestige, power and influence are ultimately damaged through layoffs.

The arguments for reducing the workforce are many – globalization, and technological change among them – but it can also be the case that incompetent management has been the cause of poor results. And when the workforce and wider community get a whiff of this, any downsizing attempt will

be seen as wholly unjustified. Here again, clarity and communication are capital in shaping stakeholder acceptance of downsizing. Naming the responsible cause – be it difficult times or fierce competition – means that both victims and survivors will consider downsizing as socially responsible and inevitable in order to save the firm. In contrast, when downsizing is due to management failures, workers do not see things in the same eye.

CULTURE CLUB

Do nationality and culture have a part in culling acceptance of a downsizing decision? Take Prof. Ramaswami's club of 4 – the USA, France, India and Estonia. Anyone's initial guestimate would tend to see US employees being more open to accepting downsizing – it happens more frequently there and Americans are more used to the dangers of an economic system that hinges on profit and growth. Some might also – given France's image of strong unions and cultural penchant for refusal in the face of change – be tempted to say that workers in France would tend not to accept.

To put this to the test, Aarti Ramaswami and her fellow researchers used well-researched models of cross-cultural values.

One of the dimensions used to measure cultural influence in approaches to work is that of 'power distance' – the nature and acceptance of inequality, hierarchical relationships, and decision-making in different cultures. The USA in a corporate context, for example, is seen as basically flat in terms of hierarchy with easy access to management and quick decision-making, while France is seen as pyramidal in nature with successive layers of subordination from the top down and lower scope for initiative and decision-making among employees.

Research showed that all four cultures (USA, France, India and Estonia) were equally sensitive to fairness in the selection criteria for lay-offs, the equity of procedures, and the opportunity for employees to communicate. If these are seen as just, ethical and justified, then employee acceptance of downsizing is likely to occur. In these three specific areas – criteria, procedures, and communication – it means that a universal set of ethics has greater leverage than one's specific culture.

However, it was when tackling a fourth area – that of responsibility for the downsizing decision – that differences in culture were seen to have the edge over universal ethics. Survivors – those keeping their jobs – in low power distance cultures (USA and Estonia) seemed to react more negatively to down-

sizing than those in high power distance cultures (France and India) when downsizing was due to poor management. Whether this is due to closer relations and trust between employees and management in low power distance organisations – and therefore greater subsequent feelings of betrayal – remains to be studied. But the message here is that top management needs to be wary of culture when planning and rolling out their downsizing strategy. The motivation and performance of their employee survivors is at stake. So is their reputation. Shaping the blame of downsizing must be done carefully and responsibly. It takes a large spoonful of ethics and a sprinkling of cultural awareness to do so.



Aarti Ramaswami

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Shaping the blame of downsizing must be done carefully and responsibly.

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KEY
TAKE
AWAYS

IF EMPLOYEES ARE MEASURED BY LEVEL OF PERFORMANCE, COMMITMENT, AND SKILLS, THEN THE DOWNSIZING DECISION IS LIKELY TO BE SEEN AS ETHICAL AND PRAGMATIC.

SUPERVISORY SUPPORT, CLEARLY DEFINED LAY OFF CRITERIA, GOOD PROCEDURE, AND THE POSSIBILITY FOR EMPLOYEES TO EXPRESS THEMSELVES ARE KEY

LEADERSHIP CLARITY AND COMMUNICATION ARE CAPITAL IN SHAPING STAKEHOLDER ACCEPTANCE OF DOWNSIZING.

TOP MANAGEMENT NEEDS TO BE WARY OF CULTURE WHEN PLANNING AND ROLLING OUT THEIR DOWNSIZING STRATEGY



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The pioneering spirit

HOW CAN MANAGERS CREATE A CULTURE FOR WOMEN TO THRIVE?



Dr. Dulini Fernando, Associate Professor of Human Resource Management and MSc Management Leading and Managing Change Professor at **Warwick Business School**, shares research into the barriers women face in the corporate world and the key areas in which managers can help to change that.

A MAN'S WORLD: IS OR WAS?

"THIS IS A MAN'S WORLD," sang James Brown, as he celebrated men's achievements in automotive, locomotive, marine and electrical engineering.

And, while women have made substantial inroads into the world of work and organisational hierarchies since Brown first sang that refrain half a century ago, many Science, Technology, Engineering and Maths (STEM) related fields such as engineering, still appear stubbornly resistant to gender diversity.

Even from the perspective of many of the women who actually work in these industries.

This might seem surprising, given that the benefits of workforce diversity at all levels, from the frontline to senior

management, are fairly well-established. Yet, while many businesses have made considerable progress on diversity, others remain bastions of masculinity.

Engineering is a good example. Despite the best efforts of many firms, gender equality in terms of employee numbers is still elusive. Close to 40 percent of women who gain engineering degrees eventually decide to leave the profession.

Research has identified many barriers that deter women from establishing careers in a male-dominated context. The exclusion of women from male-oriented social networks, long-hours working cultures with social activities taking place in pubs and sports clubs, stereotyping women as technically incompetent, perceiving women first and foremost in terms of sexuality and appearance – these are just a few.

SOUND BITES

However, there are women who manage to forge successful careers, over many years, in work environments dominated by men, including engineering. Together with my research colleagues, Laurie Cohen and Joanne Duberley, we decided to get closer to the problem, and actually listen to these women and learn from their experiences. We hoped that we might uncover insights to help organisations facing a similar challenge and improve gender diversity over the long term.

Rather than talking to organisations about company-wide initiatives, we interviewed 34 women engineers in two FTSE 100 firms (10 early in their careers, 19 in mid-career and five in late-career).

The organisations that these women work for are male-dominated with entrenched masculine cultures. However, they had good intentions, they wanted to increase the number of women engineers. Yet, regardless of the policies the employers introduced, women were reluctant to stay.

We tried to understand the factors that helped women to stay in their organisations. Our intention was to build a rounded, holistic understanding of the interviewees as individuals.

One of the main findings to emerge was the significance of the micro-environment – the immediate surroundings – that the women worked in. This might involve, for example, the line manager, the team that a woman engineer worked with on a day-to-day basis, the culture in that notional space. In turn, interaction with and perception of that micro-environment affected the way that the women thought, felt and acted. So, for example, there might be aspects of work that an individual interpreted as exclusion at the broad organisational level. A woman engineer may well be unhappy with the way that their organisation is run in that respect. They may even be part of an effort to change that. And, if that broader macro-organisational environment is the main influence on the way that individual thinks, feels and acts, then they may not stay in the organisation.

However, if the micro-climate, and the micro-environment are sufficiently positive; if the individual gets on well with their line manager and any mentors they have; if they have co-operative supportive and interesting colleagues; if there is a positive nurturing micro-climate, all this can act as a buffer against negative forces in the broader organisation. It was clear from our conversations that the women found engineering a challenging space, but with the right help early in their careers, they were willing to remain.

There were several areas in particular where help could be decisive. These areas, in the majority of cases, concerned actions and initiatives that helped to create a positive micro-environment for women in their everyday work. There were also four areas where line managers played a key role in contributing to that micro-environment.



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1. OPENING UP OPPORTUNITIES

It is important that women are offered opportunities to test existing skill levels and build confidence in their own abilities and, in doing so, to create the kind of internal visibility necessary to advance their careers.

It was clear from our conversations that perceptions of competence were an issue. This was partly about men lacking confidence in the competence of female employees, but primarily women expressing doubts (invariably unfounded) about their own competence. This lack of confidence in their own abilities may be due to gender based micro-aggression in the workplace, or workplace isolation from important networks, for example. Whatever the reasons, these doubts prevent women from seeking out and seizing opportunities to advance their careers, making them less adept at self-promotion.

While women may consider confidence an inherent trait, our studies suggest that confidence is partly the product of social experiences in the workplace and, as such, needs to be built. Line managers can take action by offering opportunities that will help women boost their confidence. They can offer 'stretch' assignments and other opportunities that test existing skill levels, or they might suggest standing in for them or another colleague with more senior responsibilities, temporarily assuming a position of higher leadership.

Moreover, if women are reluctant to accept higher level work, line managers can provide the necessary encouragement and support that enables women to accept these opportunities. Successfully completing these types of assignments then creates positive reinforcement.

Another part of what line managers are doing here is helping to create visibility. For women who are fearful of being visible, who are not putting themselves forward, possibly because of a lack of self-confidence, line managers can help to create a platform. In doing so line managers promote career enhancing visibility and access to higher level networks.



2. PERSONALISED FEEDBACK

Another area where line managers can help is with the provision of feedback. Most line managers provide feedback in one form or another, but the women we spoke to were very specific about the kind of feedback that made a real difference. This feedback addressed a number of issues that the women engineers had, around how best to approach a task or finding the right technical area to specialise in, for example. The feedback that they needed was personalised, constructive, and regular. It was not an institutional routine tick-box exercise mandated by the organisation, but something that line managers took upon themselves to do. It was feedback from line managers that demonstrated an interest in the individual engineer's work, and signalled that the manager had taken time to understand the engineer's strengths and weaknesses. This understanding allowed line managers to discuss knowledge gaps and learning needs in order to help female engineers improve their performance.

For the recipient the feedback was invaluable in terms of providing specific tailored advice. It gave the recipient a sense of direction, of where they were, how they could progress, and what they needed to work on in order to improve. A common issue for women working in STEM professions is that the career path is

not always obvious. However, the line manager offering guidance about possible routes forward, helps to inspire confidence and reinforce the idea that career longevity is possible.

3. PEER SUPPORT

Beyond personalised feedback and help with identifying project and task opportunities, women found general peer support useful. Again this was something that happened in the micro-environment. Women valued support from line managers and colleagues creating an inclusive micro-environment. This was particularly relevant in terms of judgement about performance, for example.

Everyone makes mistakes at work. How we are treated when we make those mistakes can have a huge impact on employee loyalty, and how the employees feel about the organisation that they work in.

The women we interviewed appreciated support from their immediate work group if something had gone wrong - it engendered a feeling of being valued and cared for.



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It was also relevant when women encountered threatening or difficult situations. In such male-dominated environments this might, unfortunately, as it did with one of the interviewees, involve dealing with inappropriate behaviour from colleagues, for example. For line managers it is often a case of listening to the concerns of women employees and taking them seriously. In the case of mistakes, allaying concerns and reassuring the employee that they are doing well. In the case of inappropriate behaviour, advising an employee of the correct procedures to follow and offering support. This is on top of creating a nurturing culture and environment in which peer support is encouraged and freely given.

4. ROLE MODELS

The idea that role models are important for encouraging workplace diversity, especially at senior levels, is not new. But in STEM professions where there are so few women, role models play a crucial role in overcoming a prevailing sentiment that career progression and success is difficult for women to combine with motherhood and having a family.

Here the concept of role models is not necessarily passive; not just a case that women who have successfully combined an engineering career and a family exist in the organisation at some level.

Organisations can be proactive, making role models more visible. Role models should be able to tell their story, to challenge stereotypes by relating their experiences, to explain how they have coped, in order to make the aspiration of combining a respected career in engineering with motherhood and family life seem something that is both tangible and achievable.

WHY LISTENING TO WOMEN AT YOUR FIRM IS SO IMPORTANT

Organisations can take advantage of the insights provided by the many female engineers that we spoke to, by institutionalising these insights as part of their HR practices.

Line managers can be trained to recognise intervention opportunities that relate to the factors detailed above. Organisations might also incentivise good practice by recognising and rewarding employees who demonstrate supportive behaviours.

It is important to emphasise that the will and impetus must come from the line manager - and peers - and not just from senior management directives and mandates. Many of the women stressed that positive action from their line managers was ad-hoc rather than part of an organisation-wide

programme. Organisations often adopt the wrong approach to diversity and inclusion - certainly in terms of getting women to continue in STEM-related professions, at least.

Diversity and inclusion policies are often set at a very macro, mechanical level. They are directive and have labels attached - policies, regulation, rules, codes, targets.

Rarely do organisations listen to people speak. Rarely do they obtain the views of the women working there and try to understand what actually matters to those women. Seldom are those voices and insights captured in HR practices. A bottom-up approach is required.

A good example is the feedback we obtained about networks established specifically for women. The creation of a woman-focused network is often a stock policy to encourage gender diversity in organisations. And in many organisations they may well serve a positive purpose. However, even though the organisations that these women worked for had such networks, the responses suggested that none of the women were really interested in participating. Partly because they did not want to position themselves as needing help.

Our research shows that, no matter how well intentioned, it is difficult to second-guess the

initiatives that would have the greatest impact in terms of increasing retention rates and diversity, long term. This is true for any underrepresented group. In the case of the women engineers in our study the message was clear. To encourage diversity and inclusion, senior management should listen to members of the minority groups that they wish to attract and retain, and take HR action based on what they learn. Certainly, managers in STEM related professions, especially engineering, who want to promote better gender diversity, can start by considering the role of the micro-environment and focusing on the key factors that emerged from our study.

Dulini Fernando is Associate Professor of Human Resource Management and Leading and Managing Change on MSc Management, Business Studies on the Undergraduate programme and Researching Human Resource Management and Employment Relations on MSc Human Resource Management & Employment Relations.



“ To encourage diversity and inclusion, senior management should listen to members of the minority groups that they wish to attract and retain, and take HR action based on what they learn. ”



Dulini Fernando

KEY TAKE AWAYS

STEM RELATED FIELDS SUCH AS ENGINEERING, STILL APPEAR STUBBORNLY RESISTANT TO GENDER DIVERSITY. CLOSE TO 40 PER CENT OF WOMEN WHO GAIN ENGINEERING DEGREES EVENTUALLY DECIDE TO LEAVE THE PROFESSION.

IT IS IMPORTANT TO TEST WOMEN'S EXISTING SKILL LEVELS AND BUILD CONFIDENCE IN THEIR OWN ABILITIES THUS CREATING THE INTERNAL VISIBILITY NECESSARY TO ADVANCE THEIR CAREERS.

LINE MANAGERS CAN OFFER 'STRETCH' ASSIGNMENTS AND OTHER OPPORTUNITIES SUCH AS TEMPORARILY ASSUMING A POSITION OF HIGHER LEADERSHIP.

LINE MANAGERS CAN OFFER PERSONALISED FEEDBACK AND GUIDANCE ABOUT POSSIBLE CAREER PATHS, HELP TO INSPIRE CONFIDENCE AND REINFORCE THE IDEA THAT CAREER LONGEVITY IS POSSIBLE.

ROLE MODELS ARE IMPORTANT FOR ENCOURAGING WORKPLACE DIVERSITY, ESPECIALLY AT SENIOR LEVELS.

A BOTTOM-UP APPROACH IS REQUIRED BECAUSE HR AND DIVERSITY POLICIES RARELY OBTAIN THE VIEWS OF WOMEN IN THE WORKPLACE AND TRY TO UNDERSTAND WHAT ACTUALLY MATTERS TO THOSE WOMEN.

THE FOURTH FINANCIAL STATEMENT: WHEN FINANCE TURNS INNOVATIVELY GREEN



Adrian Zicari, Prof. of Accounting and Management Control and Director of **CEMAS** at **ESSEC Business School**, and **Luis Perera Aldama**, Senior Partner at **PwC Chile**, look into an innovative use of Value-added Reporting – called *the Fourth Financial Statement* – as a tool for corporate sustainability.

From the original article published by Emerald Insight: *Value-added reporting as a tool for sustainability: a Latin American experience*, by Luis Perera Aldama and Adrián Zicari.

WHY A CSR REPORT?

PEOPLE in all walks of professional life are aware of, and most probably concerned

by, social and environmental issues. But it is only recently that the idea that firms should have a social responsibility has been generally accepted. Indeed, when CSR is men-

tioned, reactions may still vacillate between the wary, the ironic, the convinced and the unaware of just what CSR means. This might in part be due to the fact that CSR – as with



many concepts – has variants, if not different schools of thought, according, not least, to where you live in the world. But as a general definition, it could be said that CSR is the commitment of businesses to contribute to sustainable economic development (i.e. generate profit and employment) while balancing the interests of everyone – employees, local community, society at large and even the planet.

Firms have an interest in showing what their positive impact is on all these stakeholders. Because they might be convinced that they have an ethical duty to. They might also believe that they can contribute to improving the world through their activity or product. And they certainly believe that positive communication is good for their organisation and that, in the end run, investors will prefer to commit money to a company that does good for people, planet and profit rather than one oriented only and entirely towards profit.

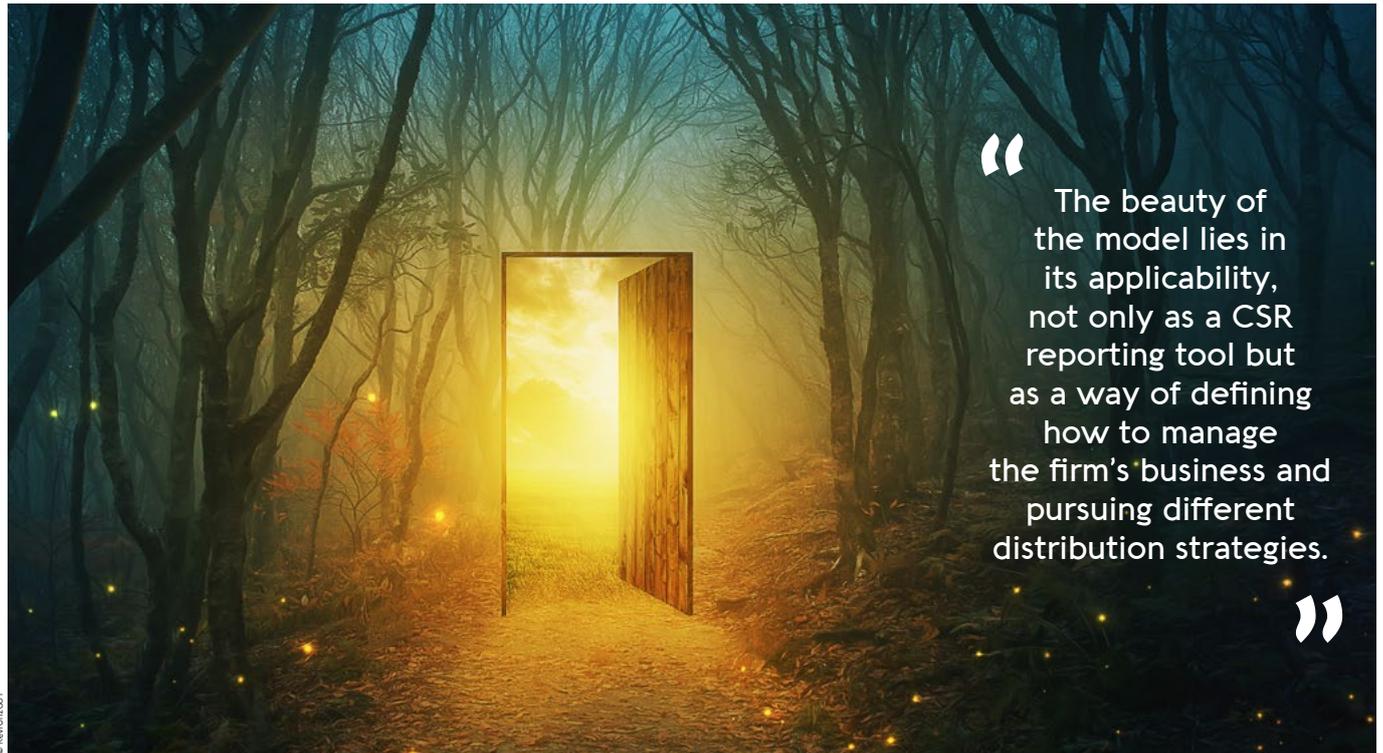
The problem is that CSR is a complex notion and hard to measure. As such, advocates for CSR reporting have tended to use new and extended models of reporting rather than traditional accounting methods which are seen as unable to cater for this complexity.

A FOURTH FINANCIAL STATEMENT

However, Adrian Zicari and Luis Perera Aldama think differently. They contend that traditional accounting, and more specifically the value-added statement (VAS), can indeed be used as a tool, and a complement to, CSR measurement. More specifically, Luis Perera Aldama in his role at PricewaterhouseCoopers, tailored a VAS which he termed The Fourth Financial Statement, and which is now used by over 15 firms in South America to show how companies create value and how that value is distributed among each category of stakeholder – employees, shareholders, community, taxes, suppliers and reinvestment. Interestingly, this innovation is particularly suited to the continent and its emerging economies. Moreover, it is a tool that can quite relevantly be used by emerging countries on other continents. This is because the concerns of emerging countries are weighted differently from those of already advanced economies: wealth has to be first created in order to close the gap with the developed world, and then that wealth has to be distributed in order to improve usually unequal income distribution. Intentionally and provocatively named, the Fourth Financial Statement implies that it should be used as an integral part of the firm's annual accounts, accompanying and complementing the traditional other three statements: balance, P&L and cash flow.

BACK TO THE FUTURE

As a value-added report, the Fourth Financial Statement model finds its precursor in the UK of the late 1970s and early 1980s and the sudden increase in VAS reporting sparked by a discussion paper presented by the Institute of Chartered Accountants in England and Wales (ICAEW). The paper revolutionized the landscape by identifying that not only shareholders but seven different groups of stakeholders had 'the right to information and whose information needs should be recognised by corporate reports'. In the years following the paper, four accounting bodies and a number of UK firms published VAS reports though the phenomenon rapidly began to disappear with the coming to power of the Thatcher government in 1979, an occurrence – mirrored in Spain – which led to the conclusion that VAS reporting seems to emerge with underperforming or emerging economies rather than established and vibrant ones. Indeed, the financial crises of 2009 and 2011 once again saw a resurgence of the VAS with both the Inter-American Accountants Conference and the Global Reporting Initiative calling for this kind of reporting. One conclusion was that the VAS both reflects aspects of CSR performance – particularly value creation – and helps create improved development of CSR within firms.



“ The beauty of the model lies in its applicability, not only as a CSR reporting tool but as a way of defining how to manage the firm’s business and pursuing different distribution strategies. ”

THE FOURTH DIMENSION

Developed by Luis Perera Aldama, the Fourth Financial Statement builds on existing VAS models and promotes a simple yet very perspicacious dimension: the breaking down of the profit and loss (P&L) statement into how much value a company creates and how it distributes that value. To obtain the value creation, sales revenue minus direct costs linked to creating the product or service is calculated. The distribution of this value is then displayed in the various sums paid to different company stakeholders: employees, shareholders, taxes, banks and financial suppliers, and the community and environment. In this way, the distribution pattern clearly shows the economic impact of the firm on society by making explicit the proportion of value received by each stakeholder.

The Fourth Financial Statement is unique, too, in that it is accompanied by a comprehensive set of sustainability/CSR-related notes presenting information and performance indicators aligned with other, predominant reporting standards and guidelines. It is also flexible enough to be transferred to other standards that could appear in the future. And beautifully simple in that data for the statement comes from conventional accounting.

CSR VAS IN ACTION

Among the increasing number of companies using the Fourth Financial Statement model is the British-Australian mining company BHP Billiton for a division based in Chile – in this case for the last six years. The experience showed that producing the statement first time round calls for enormous effort due to the need to analyze great amounts of information and for the financial team to become familiarized with the model. However, once over the first experience, managers from the company praise the model for the way it makes understanding the numbers easy and facilitates the communication of CSR-related performance to both internal and external stakeholders. Another company using the model in Colombia highlighted the fact that managers from accounts and the CSR departments worked together to implement the model – in sharp contrast to the classic case of sustainability reporting being seen by employees as the ‘toy’ of CSR managers only. Kimberly Clark, the manufacturer of personal and healthcare products and a recognised leader in CSR, uses the Fourth Financial Statement model as a tool for ongoing dialogue with internal stakeholders, thus encouraging CSR to be the concern of departments as diverse as sales (which proposed using the CSR results as a selling argument) and HR. Last but not least, ANTEL, the state-run telecom company of Uruguay, is now considering using the model as an aid for target setting, strategy implementation and monitoring.

TOWARDS A FIFTH DIMENSION?

Zicari and Perera Aldama’s research and assessment of the Fourth Financial Statement in action focuses mainly on large firms, though they state that the model can also be used in SMEs. It may also be of especially relevant use for emerging economies given the argument that CSR adapts to, and evolves differently in, different parts of the world. Moreover, as CSR has its origins in developed countries, it tends to be focused on its own roots while ignoring or de-emphasizing priorities in emerging countries. As such, the future might well see VAS being used in Africa and various parts of Asia and adapted to local practices and specifics.

The beauty of the model lies in its applicability, not only as a CSR reporting tool but as a way of defining how to manage the firm’s business and pursuing different distribution strategies. For example, one company might choose to pay higher average wages to a smaller workforce, while another might consider its duty to recruit more people. It also makes things crystal clear. Making financial donations to the community from generated profits is fine but it is not the be-all and end-all of good CSR practice. The amount of taxes paid to local and national government, or the costs related to paying for the services of suppliers, is also an indicator of how the company makes its ecosystem and satellites benefit from its business activity.

Despite the initial workload involved in implementing the Fourth Financial Statement, despite the hurdles of getting people to work together across departments; and despite the still common temptation to outsource the process of CSR reporting, the model makes a difference. It becomes the report of all those working in the firm – a far cry from the common situation in which a sustainability report remains the isolated action of a well-intentioned CSR office, with few readers inside the company and even fewer readers outside. It provides an innovative answer to the challenge of wealth distribution in South America and a way in which to 'walk the talk' by voluntarily disclosing extremely relevant information. All in all, VAS and the Fourth Financial Statement model add a new, innovative, practical and motivating dimension to CSR in firms.



Adrian Zicari

KEY TAKE AWAYS

FIRMS HAVE AN INTEREST IN SHOWING WHAT THEIR POSITIVE IMPACT IS ON ALL THESE STAKEHOLDERS, THE REASONS BEING ETHICAL DUTY, CONTRIBUTION TO IMPROVING THE WORLD THROUGH THEIR ACTIVITY OR PRODUCT, POSITIVE COMMUNICATION, AND ATTRACTING INVESTORS.

TRADITIONAL ACCOUNTING, AND MORE SPECIFICALLY THE VALUE-ADDED STATEMENT (VAS – OR 4TH FINANCIAL STATEMENT), CAN INDEED BE USED AS A TOOL, AND A COMPLEMENT TO, CSR MEASUREMENT.

THE FOURTH FINANCIAL STATEMENT IMPLIES THAT IT SHOULD BE USED AS AN INTEGRAL PART OF THE FIRM'S ANNUAL ACCOUNTS, ACCOMPANYING AND COMPLEMENTING THE TRADITIONAL OTHER THREE STATEMENTS: BALANCE, P&L AND CASH FLOW.

IT BREAKS DOWN OF THE PROFIT AND LOSS (P&L) STATEMENT INTO HOW MUCH VALUE A COMPANY CREATES AND HOW IT DISTRIBUTES THAT VALUE.

THE DISTRIBUTION PATTERN CLEARLY SHOWS THE ECONOMIC IMPACT OF THE FIRM ON SOCIETY BY MAKING EXPLICIT THE PROPORTION OF VALUE RECEIVED BY EACH STAKEHOLDER.

IT IS ACCOMPANIED BY A COMPREHENSIVE SET OF SUSTAINABILITY/ CSR-RELATED NOTES.

IT IS ALSO FLEXIBLE ENOUGH TO BE TRANSFERRED TO OTHER STANDARDS THAT COULD APPEAR IN THE FUTURE AND SIMPLE IN THAT DATA FOR THE STATEMENT COMES FROM CONVENTIONAL ACCOUNTING.

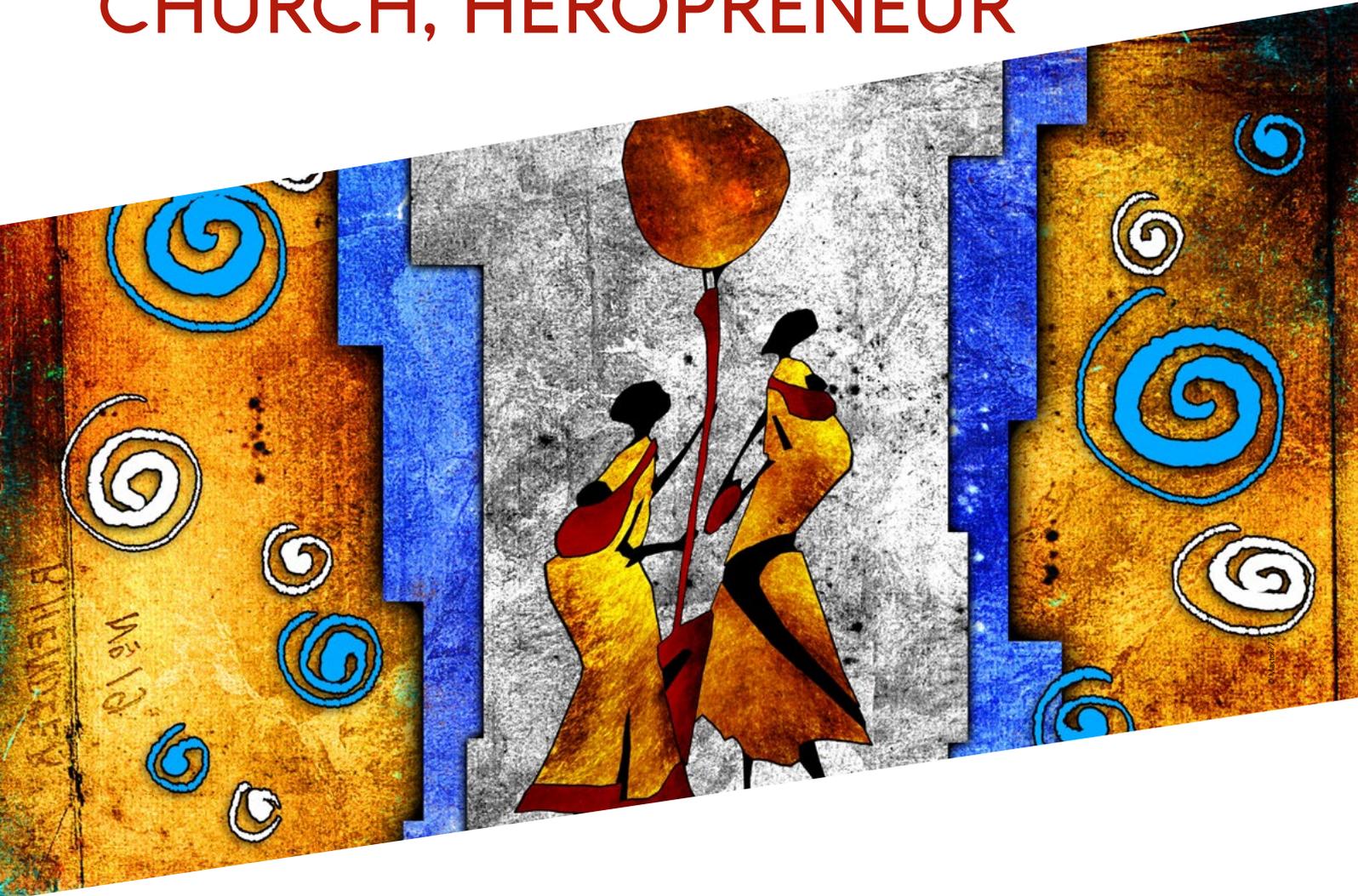
THE MODEL CAN BE USED IN LARGE FIRMS, SMES AND IS ESPECIALLY RELEVANT FOR USE IN EMERGING ECONOMIES.

THE BEAUTY OF THE MODEL LIES IN ITS APPLICABILITY, NOT ONLY AS A CSR REPORTING TOOL BUT AS A WAY OF DEFINING HOW TO MANAGE THE FIRM'S BUSINESS AND PURSUING DIFFERENT DISTRIBUTION STRATEGIES.

INNOVATION IN BUSINESS EDUCATION



IN PURSUIT OF THE ELUSIVE TRIPLE BOTTOM LINE – IAIN CHURCH, HEROPRENEUR



Iain Church is a British Army veteran turned social entrepreneur, winner of the **Warwick Business School** Bursary Award. Join us as we go on a journey with Iain into a small, beautiful, landlocked country called Malawi in Southeast Africa, to experience the winds of change blowing over this land.

NOT ALL SUPERHEROES wear capes. Some just go about their normal lives, silently planting the seeds of change along the way. Iain Church undoubtedly belongs to the latter class and has been recently awarded the Heropreneurs Award. Heropreneurs is a registered charity in the UK which celebrates and rewards the energy, passion and dedica-

tion of war veterans aspiring to forge a new path in business. That's right, Iain Church was actively serving the British Army before he decided to focus all his attention 5,000 miles away – in a tiny country in Southeast Africa, called Malawi.

FROM BOMB DISPOSAL TO SOCIAL ENTREPRENEURSHIP

Iain Church joined the British Army at the age of 21, right after graduating from university. As a bomb disposal expert, Iain was responsible for disarming mines and other



IAIN CHURCH & DEAN ANDY LOCKETT

munitions in Bosnia and Kosovo, and for making potentially life or death decisions as a squadron second-in-command in Iraq. He even designed new protocols for attacking IED (Improvised Explosive Device) networks in Afghanistan while commanding bomb disposal operations in Helmand Province. He has served the Army in Northern Ireland, the Balkans, and the Middle East, eventually rising to the rank of Lieutenant Colonel. Dealing with matters of life and death for over two decades was no walk in the park. As Iain recalls from his days at the Army, "After you cleared a farmer's land he would ask, 'Is it safe to put cattle back in that field?' It's the children who herd the cattle, so while you want to reassure him and say, 'Yes, we've got everything', you have to caveat that with the fact that it's not an exact science and one or two bomblets may have fallen further outside the cleared radius. It is a huge responsibility." Yet he persevered relentlessly. In Kosovo, for instance, Iain and his team worked flat out every day for eight long weeks. If one had to find a silver lining in this war-ravaged cloud, one could say that once you have dealt with countless life-and-death decisions in the army, you emerge from it with nerves of steel: nothing in the civilian world can quite faze you anymore.

Iain's innate entrepreneurial spirit, however, did not get the opportunity to flourish much during those days. When the only priority is to save innocent lives, one simply has no option but to move on from one mission to the next as swiftly as possible. In the end, Iain decided to take a period of leave to focus his attention on his late father-in-law's brainchild "Moringa Miracles Ltd" in Malawi. It was a for-profit social enterprise intended to provide rural Malawians a self-sustaining,

permanent way out of extreme poverty. Three years later, in 2016, Iain decided to leave the Army permanently in pursuit of this new passion to make a difference. It may not be easy to connect the dots from bomb disposal to poverty alleviation, but what can we say... Iain is, after all, no stranger to shouldering the responsibility for the lives of others.

MALAWI AND A MIRACLE IN THE MAKING

The Republic of Malawi is a land-locked country in southeast Africa and home to more than 18.5 million people. While this gem of a land is endowed with rich flora and fauna, it remains one of the least developed countries in the world. The economy is struggling, more than 95% of the population is considered to be either ultra-poor or poor, and the government relies heavily on foreign aid to meet its development needs.

Moringa Miracles Ltd was founded with the lofty ambition to combat the widespread poverty pervading across Malawi. Moringa Miracles provides free moringa trees for farmers to grow alongside their existing crops, and then buys back the seed to produce moringa oil for use in the cosmetics industry. Smallholders are trained on how to grow and nurture their trees and are shown how to turn the leaves into a powder that can help to ease the prevalent Vitamin A deficiency in the country. Similar projects have, in the past, strived to introduce self-sustaining models. But what makes Moringa Miracles stand out is the fact that it is here for the long haul. For example, there was a project which encouraged farmers to grow chilies instead of their staple crops. Sure, it was a success for the first couple of years. But soon afterwards, the prices for chili plummeted and Malawi was left with a swathe of smallholders who could neither afford to sell their chilies because the price was too low, nor grow food for themselves as their land had been put over to growing chilies.

Moringa Miracles, on the other hand, adopted an ingenious and simple approach. The 40 moringa trees they provide to each farmer, can be easily planted around the border of their usual crops. Those who have no space to plant the trees can pool their share and plant them in communal areas next to rivers to prevent soil erosion and flooding.

After just one year each tree produces 5 kilograms of moringa seed which the company buys back from the smallholders for use in the cosmetic industry. The smallholders are encouraged to use the waste product as a water purifier and the leaves as a source of Vitamin A supplement.



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TRIPLE BOTTOM LINE OF PEOPLE, PLANET & PROFIT

NGOs often work on a project basis, moving on from one critical issue to the next. On the other hand, a social enterprise, like Moringa Miracles, exists for the long term and is better placed to see things through. Moringa Miracles works with two international NGOs. But if, at any point time, the NGOs need to move on and focus their resources on other problems, Moringa Miracles can continue to support the same smallholders and ensure a lasting legacy. Indeed, Iain Church believes that combining the best practices of NGOs with the best of the commercial world produces the concoction required to create a self-sustaining social enterprise.

Moringa Miracles Ltd. (MML) produces moringa leaf powder, seed and oil to deliver a triple bottom line: commercial success, social and environmental impact. It aims to sustainably break the aid cycle in Malawi by increasing smallholder incomes, food security, access to clean water and environmental resilience by reversing deforestation. To date, MML has partnered with 65,000 small holders and planted more than 3 million moringa trees. As an employer, MML believes strongly in offering equal employment opportunities for women and youth. This holistic approach means MML can deliver long term impact with a triple bottom line. It is rather interesting to note that MML's model can be replicated around the world. Moringa naturally occurs in some of the world's most under nourished regions - so their model can potentially provide countries with a home-grown solution to their problems, without the need for donor assistance.

THE ROAD AHEAD

Today Moringa Miracles has a team of 30 full-time staff who run a 20,000 strong smallholder programme. They also work with 45,000 smallholders in programmes run by two international NGOs. Their aim is to lift 325,000 Malawians out of extreme poverty within five years of operation. This is certainly a daunting challenge for even the most ambitious of entrepreneurs. But Moringa Miracles remains committed to providing farmers with a sustainable source of income while working on nutrition in a region where about 45% of the children suffer from stunted growth owing to Vitamin A deficiency.

Iain Church is now better positioned than ever before to materialise his lofty ambitions. He won the Warwick Business School Bursary Award, which includes a full scholarship to study for an MBA at WBS, so that he can acquire new skills to help Moringa Miracles thrive. This Executive MBA is bound to fast-track Iain's entrepreneurial journey and leave a lasting positive impact on the fortunes of Moringa Miracles Limited. In Iain's own words, "I am humbled to have won the inaugural Heroprenuers Warwick Business School Bursary Award. The size of this opportunity is huge and I look forward to repaying the faith that Warwick Business School has shown in me."

Iain Church is an inspiration for all the budding social entrepreneurs out there and we cannot wait to see this potentially game-changing approach to provide a Malawian grown solution to a Malawian problem come to fruition!



THE POWER OF SOCIAL INNOVATION: TRINITY STUDENTS AND THE ENACTUS WORLD CUP



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Competing on a global stage, **Trinity College Dublin Business School** students reach the finals of the **ENACTUS WORLD CUP** as fledgling entrepreneurs and social innovators.

LATE SEPTEMBER 2019, and a team of Trinity students together with their Faculty Advisors are far from their home institution in Dublin, Ireland. Instead, they find themselves representing their country as finalists in the Enactus World Cup, 8,000 kilometres away in Silicon Valley, USA.

A global non-profit organisation that brings

together a community of students, academics and business leaders from 36 countries, Enactus runs a yearly 'world cup' to showcase entrepreneurial action and innovation for the common good. With an estimated impact on 1.3 million people each year, students around the world compete in the various rounds of the competition carrying out needs assessments in their home com-

munities, identifying potential solutions to complex issues and then putting into action community impact projects. While the aim of the non-profit is to develop the next generation of entrepreneurial leaders and social innovators, its vision is no less than to transform lives and create a better future.



THE POWER OF INNOVATION – THE TRINITY WAY

As one of the world’s oldest and most prestigious educational institutions, Trinity has a long history of inspiring students to serve the wider good through their subsequent knowledge, expertise and careers. Also home to a dedicated Centre for Social Innovation, it comes as natural for students and staff to take part. Having competed against 9 other teams and winning the national version of the competition, the Trinity team, with the help of corporate sponsor Aer Lingus, now find themselves representing Ireland among the 3,000 selected finalists in Silicon Valley.

The successful Trinity team – Enactus TCD – will present a bouquet of projects aimed to empower homeless people, nurture wellness and develop sustainability and leadership skills in disadvantaged youth. The headline project goes under the name **Hope**, an initiative which empowers homeless people to develop the necessary skills to allow them to transition out of homelessness and earn a wage while doing so. The team do this by giving homeless people an opportunity to coach football teams made up of Trinity students, while helping them develop soft skills and confidence in a professional environment. **KeepAppy**, founded by Trinity Business School MSc Entrepreneurship alumni Aimee-Louise Carton and Will Ben Sims, provides the second project with the development of an app that puts wellness into people’s pockets everywhere. A wellness toolkit, it comprises ten features that feed into three primary mechanisms: mental un-wellness prevention, mental mainte-

nance and growth towards a wellness-oriented lifestyle, and access to emergency care through their geo-specific partnered helplines. The final project is **2030 Leaders**, empowering disadvantaged youth through training on the UN Sustainable Development Goals (SDGs) and leadership skills. Participants apply these new skills by teaching younger students about the SDGs in an accessible, fun way.

‘It’s a showcase and celebration of the positive and innovative projects created by students worldwide,’ states the Trinity team Faculty Advisor, Dr Koidl. ‘At Trinity we encourage our students to become innovators and entrepreneurs, and I’m delighted to see Team Enactus TCD using their skills and passion in these areas to develop innovations that address real-world issues and make real societal impact.’



“ We encourage our students use their skills and passion in entrepreneurship and innovation to develop innovations that address real-world issues and make real societal impact. ”

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THREE ASIAN DRAGONS INNOVATE IN BUSINESS EDUCATION



Hirokazu Kono, Professor and Dean of Japan's leading business education institution **Keio Business School**, shares the story of the flagship China-Korea-Japan (CKJ) initiative that brings students and professors from three countries into contact with the Asian way of business and management.

DOES ONE-SIZE FIT ALL?

BUSINESS and management education, not to mention practice, has long since been shaped by Anglo-Saxon models and thought-leaders. This 'western approach' assumes that the same strategies and processes can be applied wherever business is

conducted and whoever the stakeholders are. But to what extent is the 'one size fits all' approach a truism? While acknowledging the contribution of western schools of thought and practice, Hirokazu Kono, Professor and Dean of Keio Business School, Japan, also highlights the unique and oftentimes very different ways that managers and executives

in Asia conduct their business and run their companies. As Dean of KBS, professor Kono oversees a singular initiative that each year brings together three schools, three Asian cultures, their students and faculty on a journey to learn the specificities of business and management in China, Korea and Japan – the CKJ initiative.

Temporality is just one dimension of the cultural difference in western and Asian approaches, perhaps epitomized in the history of the CKJ initiative itself. The long-term is given priority, and the passing of time tends to be seen as beneficial in both creating the necessary trust for greater things to occur, and also for ideas to be tested, assessed and tweaked as required. 'The China-Korea-Japan initiative,' states Hirokazu Kono, 'was the brainchild of two former deans of Keio Business School and Tsinghua School of Management, China, who then brought a third reputed school into the initiative - KAIST College of Business in Korea. The initiative has been in operation since 1998, although for the first five years of its existence it consisted in yearly faculty workshops between the three schools.' The faculty workshops brought together leading academics to foster joint research projects among the three countries and several papers were published as well as a number of case study materials specifically dealing with the Asian approach to management and business operations. This first step enabled sufficient trust and working methods to be understood and five years ago the decision to widen the initiative to the students of the three schools was taken.

'If we say that management is management and business is business,' asserts Dean Kono, 'then there is no need to distinguish an Asian way. But if we go into the in-depth analysis of Japanese, Korean or Chinese companies, there are several differences from the so-called western way of management. For example, there are many small-to-mid-sized companies in Japan, mainly owned and run by families. In many instances, management practices will be strongly influenced by these family ties and hierarchies and indeed, many members of the family will also be running other companies at the same time. The aim of these firms is slightly different from being only for-profit, but will instead focus on more long-term perspectives, consistency, survival, and legacy for the next generation. Moreover, on a micro-level, decision-making and delegating processes are different given the family nature of these firms.'

THE CKJ INITIATIVE

In its present set up, the China-Korea-Japan initiative is built on three pillars - a faculty workshop focusing on issues relating to Asia and its policies, concerns and management practices, as well as relationships with Europe or the

USA; a second pillar being sessions dedicated to the presentation and discussion of individual or joint research in areas such as finance, accounting, marketing and HR operations. The third pillar consists of student awareness of the Asian approach to business and management, crowned by a field study trip in one of the three countries.

This brings together thirty-six MBA students - twelve from each school - in an intensive week of study and discovery in a host country. A key aspect is that the student field trip takes place on a rotation basis between China, Korea and Japan, with the 2018 event being organised by Keio Business School. A different theme is selected after discussions between the participating schools, the theme for 2018 being hospitality and the service industry - an astute choice given Japan's selection to be the host of the 2020 Olympic Games. 'It was one of the reasons why we chose this theme,' recognises Dean Kono. 'The Games will obviously be a high-profile event for Japan, and an opportunity for our students to study the existing and future infrastructure in terms of restaurants, hotels and Japanese Inns and the services they provide. With the planned development of a large complex on the outskirts of Tokyo, built on the site of its famous hot water springs, the CKJ initiative will provide input and feedback to the developers from a Japanese and Asian perspective on welcoming Chinese, Korean, Japanese and international visitors to the Games.' Moreover, while attending lectures at the KBS campuses, the thirty-six students will stay on-site at the Japanese inn to complete their study.

THREE ASIAN DRAGONS SHARE SIMILARITIES AND DIFFERENCES

The CKJ initiative is open to MBA students studying at the three schools regardless of nationality - meaning that western students admitted to the schools' MBA programmes can also participate. The week's blend of study and discovery includes visits to six companies, lectures, discussions with CEOs and a business and management analysis project. The lingua franca used is English, though similarities between the three languages - Chinese, Japanese and Korean - mean that students often hold discussions in these languages when spending time together in their project teams. For Dean Kono the experience is as much



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about students becoming aware of their differences and similarities as studying Asian management practices. 'At the beginning of the experience,' states Kono, 'students from Tsinghua and KAIST view Japan as a different country with different business models and a different culture. But when we go to visit companies and begin an in-depth analysis of them, then students move on to an awareness that there are both things that are different and things that are common between our three countries. This aspect - going into companies and observing everything from the shopfloor to senior management - is essential,' says Dean Kono. 'Lectures alone - even from famous faculty - are not enough. Students have to visit actual sites and look at things with their own eyes - and then their eyes can be open to see similarities and differences. That leads to the next step of mutual understanding. In the end run, their mind-

set, passion and understanding are the essential goals of the CKJ initiative.'

Given the hotly disputed places available on the CKJ, the idea that students are selected through top performance and results immediately comes to mind. But it may just be a cultural lens that provides this preconception, for surprisingly Dean Hirokazu Kono states passion as being the most important factor. 'Of course,' he asserts, 'the wider objective is to nurture business leaders from this region and initial selection to the MBA is very tough. But enthusiasm - passion - is very important when applying to have a place on the CKJ initiative. If you have passion, you have interest - and when you have these you are capable of going very deeply into a topic and resurfacing with an understanding of things that bring cultures and approaches together and things that may make us different, but which can be both a source of new ideas and acceptance. If we return to language, for example, Chinese and Japanese have many similarities in terms of words and pronunciation, but at the same time there are many areas where we have relatively large differences in way of thinking. Even coexisting in one geographical region, China, Korea and Japan have big differences but at the same time a similar global approach. Step back and view the bigger picture - the globe - and there are also natural differences but also similarities. This is the perspective required of today's global business leaders.'

And the CKJ way of collaboration can enrich these. Many of the students will eventually end up working in China for Japanese companies in the import-export and trading field or banks. They even start up their own companies to create bridges and business between Japan, China and Korea. Even coexisting in one geographical region, the three countries have big differences but at the same time a similar global approach. Step back and view the bigger picture - the globe - and there are also natural differences but also similarities. This is the perspective required of today's global business leaders.'



A SHARED FUTURE

Forming mixed teams and graded on their business analysis presentations at the end of the week before a figure from the corporate world, Dean Kono acknowledges that there is a noticeable change in students' mindset at the end of the CKJ field study trip. Future developments in the CKJ initiative may incorporate CKJ executive education or even a double or triple-degree consortium between Keio Business School, Tsinghua School of Management and KAIST College of Business. This means going through the Japanese, Chinese and Korean governments for presentation of the project and authorisation. 'There are some hurdles,' comments Dean Kono, philosophically, 'but the steady, step-by-step approach is important.' In this, there is an echo of the Asian vein of patience over time in order to reach a goal. 'Mindset or passion towards the future of business is very important,' he continues, 'in addition to knowledge and skills.



Hirokazu Kono



Students have to visit actual sites and look at things with their own eyes - and then their eyes can be open to see similarities and differences.



AN OUTSTANDING CASE

A SCHOOL OF MANAGEMENT AS THE LOCOMOTIVE FOR
OUTSTANDING CORPORATE SOCIAL RESPONSIBILITY
PRACTICES IN CHINA.



Prof. **Qingyun Jiang, School of Management Fudan University**, reveals how an educational institution can help drive corporate social responsibility in China with a unique and innovative award delivered to best performers in the corporate world.

CORPORATE SOCIAL RESPONSIBILITY, or CSR, is often a topic of lively debate in the western world – and indeed, many of us tend to perceive CSR as an inherently western concept. However, let's get things straight – not only is CSR very much alive in China, despite its huge, traditional-

ly-based economic growth in the last fifteen years or so, the country is among the world leaders in the sustainability side to CSR, especially in terms of wind and solar energy and electric transportation.

In the forefront of advances in this area is one of Asia's leading educational institutions, School of Management Fudan, the business and management school faculty which is part of the wider Fudan University in Shanghai.



“ Without awareness of social responsibility during their studies, students wouldn't recognise and undertake CSR practices in their future careers ”

SOCIAL VALUE CO-CREATION

At the cutting edge of this drive towards CSR, and co-hosted by School of Management at Fudan University and China-Chile Guan Aitong, a top Chinese HR consulting firm, is the “ai Social Value Co-creation” Outstanding Corporate Social Responsibility Practices in China initiative. Essentially, the school of management and its corporate partner have taken the initiative to develop and implement a CSR practice evaluation system from the perspective of “social value co-creation”. This is proposed to the corporate world both for collecting firms' CSR practices which are presented in case study format, and serving as a framework for selection and subsequent award. The framework uses long-term tracking of progress in CSR practices in China and focuses on improvement of CSR evaluation mechanism and standards.

AN OUTSTANDING CASE

The initiative is the first case study evaluation system designed by a management school on CSR performance and sustainability strategy in the country, and the Outstanding Corporate Social Responsibility Practices in China event has successfully been held twice to advocate the idea of social value co-creation. ‘Without the support of School of Management at Fudan University, this academy award would not exist,’ states Qingyun Jiang, professor of Marketing at Fudan and visiting scholar to prestigious establishments outside China such as Bocconi in Italy and MIT in the US. ‘As the organiser of the event, our school's role is to provide the case evaluation theory and methodology, organise the academic committee across schools, and publish and present excellent cases. We also help enterprises to improve CSR strategy and process management, as well as publishing and communicating a performance audit.’

The School took the lead in inviting 15 prestigious professors from over 10 top universities in China to serve as the evaluation experts, redefining CSR and reshaping the global perspectives of Chinese enterprises. ‘On the basis of the “ai CSR event”, we developed an MBA elective course on ‘Social Enterprise’, adds Prof. Jiang.

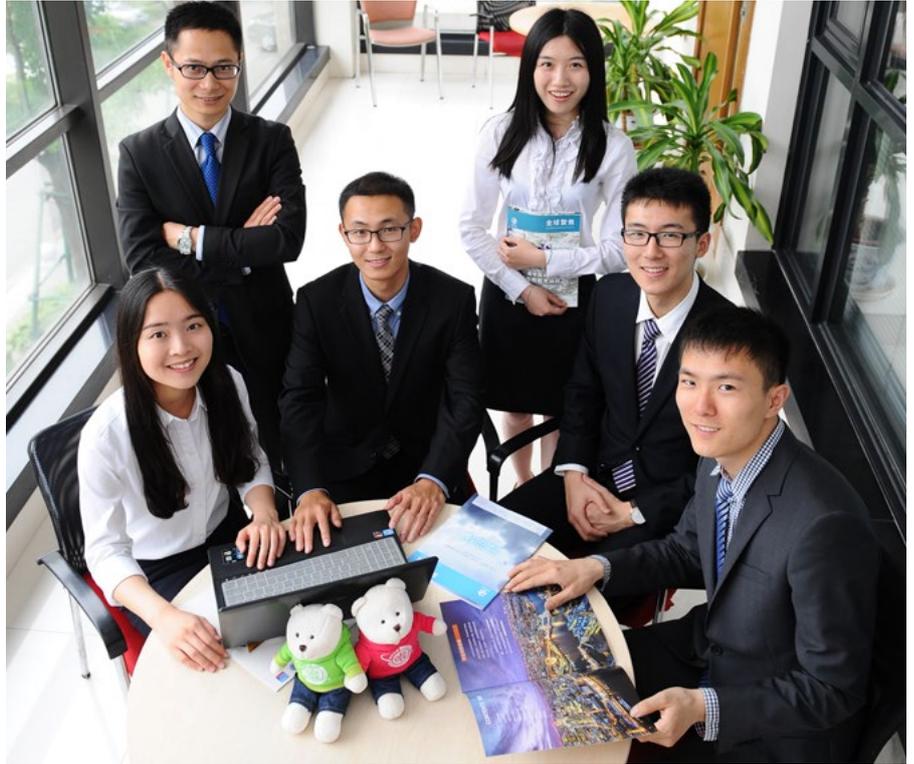
Cultivation of social responsibility has always been one of the priorities of School of Management at Fudan University. According to Prof. Qingyun Jiang, it has integrated many concepts and practices of social responsibility within the school's curriculum. ‘There are not only courses centered on sustainable development, but cases on social responsibility are also introduced in other courses such as finance, accounting, marketing and supply chain, to mention but a few. For Prof. Jiang, the event has enriched both the content of the school's research and its teaching activities.



WALKING THE TALK WITH ITS STUDENTS

But that is not all. Not content to bring academia and the professional world together for the benefit of CSR, School of Management Fudan walks the talk by actively proposing extra-curricular projects to its students for the benefit of the common good. These include poverty relief initiatives, voluntary teaching in remote mountainous areas and caring for the aged. 'This,' states Prof. Jiang, 'encourages undergraduates and postgraduates to step out of campus and shoulder social responsibilities. There are also many student organisations and associations focusing on social responsibility in Fudan University, the school's parent institution.'

School of Management Fudan's students will become China's future professional managers, senior executives and entrepreneurs after graduation. For Prof. Qingyun Jiang, without awareness of social responsibility during their studies, students wouldn't recognise and undertake CSR practices in their future careers - all the more a reason why the school's philosophy and practice maintains its link to social responsibility and counts on keeping the "ai Social Value Co-creation" Outstanding Corporate Social Responsibility Practices in China event resolutely on the yearly agenda.



Qingyun Jiang

IN ALL GOOD PURPOSE: THE FGV-EAESP *INTENT* INITIATIVE



Prof. Francisco Aranha, Director of the **FGV-EAESP** Center for the Advancement of Teaching and Learning, highlights the innovative **INTENT** initiative that prepares students to be creative, high-impact managers and drivers of change in organisations and society

FGV-EAESP, part of the FGV think tank group of schools and research centres in Brazil, is South America's leading educational institution and very much involved in helping shape government policy within the country and training leaders with a global and social mindset. Prof. Francisco Aranha, Director of FGV-EAESP Center for the Advancement of Teaching and Learning, is in charge of the

INTENT initiative*. An educational initiative firmly anchored in innovation.

MOVING AWAY FROM THE TRADITIONAL LEARNING EXPERIENCE

The initiative was created to offer FGV-

EAESP students an educational alternative that is truly student centred: integrating knowledge, emotions, actions and content, the initiative is oriented towards collaboration and team work around real projects. For Prof. Aranha, it replies to the challenge of moving away from a more traditional, fragmented, lecture-based, faculty-centred education.

The objective of the INTENT programme is clear and with a purpose – to prepare creative leaders with a well-developed sense of direction, interpersonal skills and the capacity to generate impact and change in organizations and society. Developed by the FGV-EAESP Center for the Advancement of Teaching and Learning as a result of a two-year period of research and prototyping, it was inspired and supported by the Danish Kaospilot School of Business Design, Leadership and Entrepreneurship. The programme takes in 25 students per semester and is now in its third cohort, known as Team 3.



A TRANSFORMATIONAL EXPERIENCE

Both the Team Leaders (faculty) and Team Members (students) who participate in the programme have reported going through a deep personal transformation, states Aranha. And it effectively impacts them in a number of ways: building their ability to establish perceptive, respectful and productive relationships; collaborating with others; participating in or leading teams; mobilizing knowledge; identifying gaps and organizing their educational continued development; and finally, causing impact in groups, organizations and society. Participants in the initiative also describe a resignification of their academic life, feeling empowered and in control, for the students are confronted with the challenge of examining their personal objectives and designing a way to move towards them. For Prof. Francisco Aranha, the INTENT initiative fulfils one of his hopes and ambitions for business education in the wider sense: that students become protagonists – whether as business leaders, advocates for a cause, or visionaries for movement and positive change.

“ Students must become protagonists – whether as business leaders, advocates for a cause, or visionaries for movement and positive change. ”

In its architecture, INTENT is a one-semester, full-time course for students going on to the third year of the School's four-year Bachelor in Business Administration programme, with students meeting from 9 A.M. to 4 P.M., four days a week over three cycles of five weeks. In terms of instructional design, the first cycle is formative and comprises 20 experiential workshops, with the second cycle being a process consulting assignment with real clients. The third and final cycle is dedicated to student personal projects.

* Visit Intenters.com.br, a site, in Portuguese, developed and managed by the students.



Francisco Aranha



MPGI

Mestrado Profissional em Gestão Internacional *Master in International Management*

Master in International Management

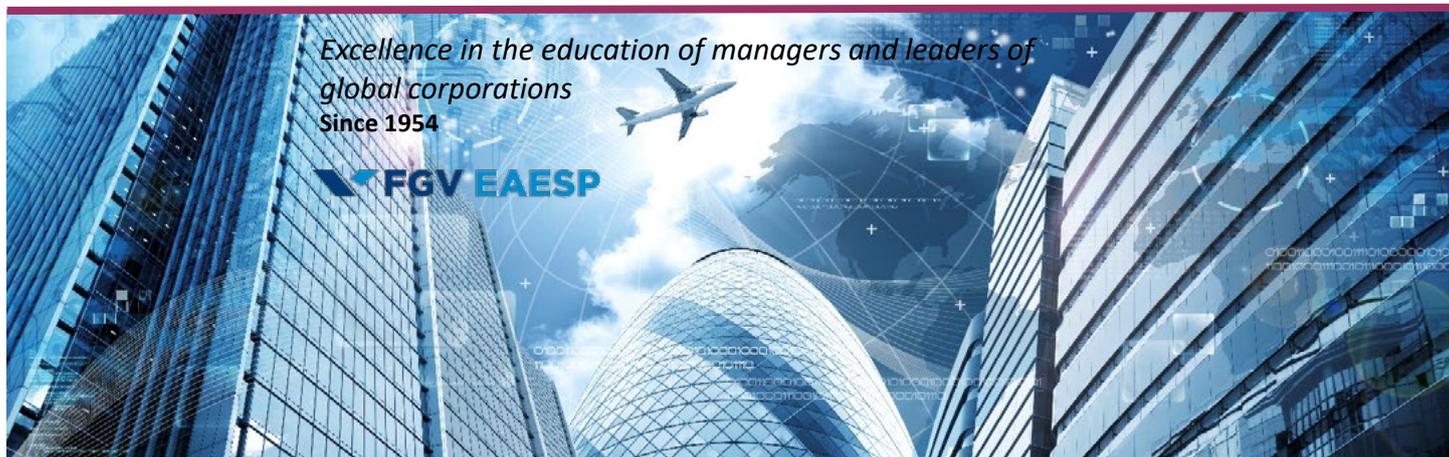
The Master in International Management (MPGI) is a graduate degree program offered by FGV-EAESP in partnership with renowned international institutions, created to provide professionals with the competences they need to take up leadership positions in a global business environment.

This program offers the opportunity of a double degree graduation, i.e., a Master in International Management from FGV-EAESP, acknowledged by CAPES (a Brazilian Ministry of Education's institution that recognizes the quality of graduate programs in the country), plus a Master's degree from an international partner institution.

Objective

To offer pre-experience graduates in business and similar areas the skills they need to succeed in companies with global scope, both in Brazil and abroad, through cooperation agreements and double degrees between FGV-EAESP and partner schools.

For further information about the program, next selection process and required documents, please visit www.fgv.br/mpgi, or send an e-mail to mpgi@fgv.br



STRATEGY AND SUSTAINABILITY: ENGAGING STUDENTS IN THE TRIPLE BOTTOM LINE

“

MBA students should have the requisite competence to arrive at sound, ethical, and humane decisions that serve the objectives of people, planet, and profit.

”

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Arijit Chatterjee, Professor of Strategy at **ESSEC Business School Asia-Pacific**, shares an innovative initiative designed to give MBA-level students more than just high-level technical expertise.

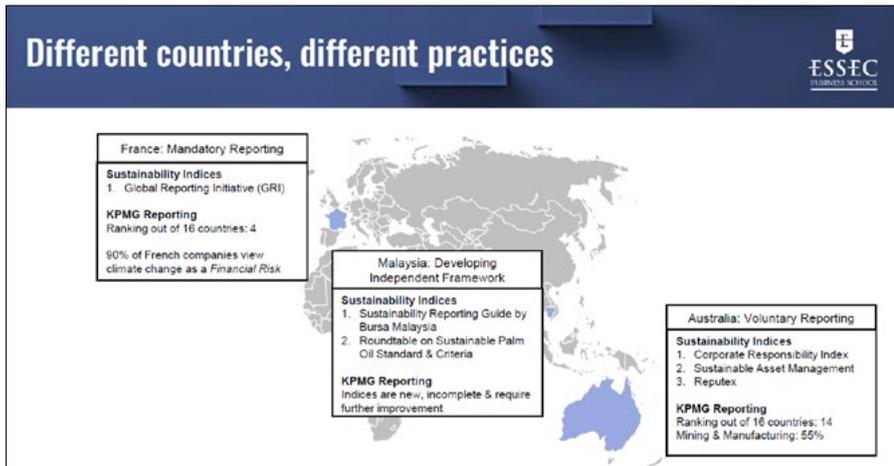
WHEN THE ACRONYM MBA COMES UP, some of us might be tempted to think of a training that is designed to produce business leaders whose decisions are driven by data and logic, technical prowess, and a single-minded pursuit of profit that often steers the mind away from the well-being of people and the environment. Not so. Last year, an innovative addition to the ESSEC Global MBA curriculum used a well-

known accounting framework that covers social, environmental, and financial dimensions to carry out an extensive audit of firms' contributions to the wider good.

SUSTAINABILITY COUNTS

Internationally recognised as a leader on issues of sustainability and societal commitment, ESSEC Business School is home to a

faculty body whose teaching and research have over the years dovetailed with responsible leadership and business practices. Last year, Management Professor Arijit Chatterjee was behind an initiative that set GMBA students working on a high-level consulting project at the crossroads of business and society.



The 2018 assignment saw ESSEC Global MBA participants in Singapore working in teams to create whitepapers on a project titled "Managing the Triple Bottom Line" as a part of their core course on Strategic Management. Organised in collaboration with the Indian Chamber of Commerce, the students' task was to develop a framework that would enable the ICC to rank Indian firms on their adoption of the Triple Bottom Line (TBL), with the aim of encouraging firms to enhance their sustainability efforts.

Coined in 1994 by business writer John Elkington, the TBL measures an organization's performance by placing equal weight on social, environmental, and financial parameters – in short People, Planet, and Profit. The people, social equity, or human capital bottom line refers to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business. Typically, the TBL is effective in measuring a firm's product responsibility – including supply chains – its impact on the community, labour practices and working conditions for employees, human rights and whether the firm uses a minimum wage policy. The planet parameter includes the environmental or natural capital bottom line and refers to sustainable environmental practices measuring the firm's impact on air, water, waste, biodiversity and energy use. And finally, the Profit dimension deals with the economic value created by an organisation after deduction of costs and takes into account factors such as sales, profits, added value, cash flow, EBITDA and share price.

Each GMBA team, comprising three to four members, was given the task of producing a White Paper on the TBL that included an academic literature review and a thorough analysis of existing measures, criteria, and

best practices to evaluate firms on their application of the TBL. Students compared companies across countries, industries, and firm sizes in order to devise a system best adapted to the Indian context.

THE TBL IN THE INDIAN CONTEXT

Professor Chatterjee argues that "business as usual" is increasingly becoming difficult to conduct because of numerous environmental and regulatory challenges. The building blocks of the public corporation – legal personality, limited liability, and separation of ownership and control – have made them externalizing machines despite a highly developed regulatory system. New reporting standards such as the Global Reporting Initiative or Certified B corporations are insisting on meeting sustainability standards. 'Yet,' Professor Chatterjee reminds us, 'on the other hand, the number of listed corporations has halved in the United States in the last two decades. Investors are fleeing the stock markets and engaging in even more arm's length investing via private equities and venture capital. In this scenario, it is an imperative for responsible business leaders to manage not only the short-term but also the long-term, and not make environmental degradation an inevitable conse-

quence for the pursuit of profit.'

For Chatterjee, these concerns are even more important for India, a country of 1.2 billion people that is commonly referred to as the world's largest democracy and also one of the fastest growing economies in the world. India is at something of a crossroads – in one direction the need to create the necessary mechanisms to unleash sustained economic growth, and in the other to balance this improved working conditions and reduced pollution levels. 'Increasing consumerism, decreasing groundwater reserves, polluted rivers, crowded and chaotic cities, and an urgent need for higher income especially for the poorer sections of the population,' asserts Chatterjee, 'represent a combination of features that make India a challenging case where the feasibility of the TBL must be tried and tested.'

A TRIPLE ARGUMENT

The winning student team comprising Margot Fuller, Aaina Mahajan, Joerg Reiners, and Kush Srivastava was selected by a panel composed of Mr. Rudra Chatterjee, President of the ICC, Dr Rajeev Singh, Director General of the ICC, and Dr. Arijit Chatterjee, Professor of Strategy at ESSEC. The ESSEC team was invited to present their findings to the ICC and the top executives of NITI Aayog, the premier policy 'Think Tank' of the Government of India, at the ICC Annual General Meeting in Kolkata, India on 9 July 2019.

Their proposal to the Indian Chamber of Commerce began with a 4-phase methodology to understand, identify, benchmark and propose a workable model and focused on analysing use of the TBL across three countries – France, Thailand and Australia – whose ratios of agriculture to industry to services mirror India's economy. A further analysis that took into account reporting practices in each sector and in firms from high- and me-

Winning GMBA team



Kush Srivastava



Aaina Mahajan



Margot Fuller



Joerg Reiners

dium-income countries was also carried out, as well as best practices in each sector across the three benchmark countries cited above. Altogether, the team's work analysed 4 CSR frameworks, 12 industries and 33 countries, identifying industry and company-level best practices as well as drawing up two case studies as salient examples of the positive use of TBL: Lush's handmade cosmetics products that are sourced sustainably and sold with minimum packaging, and ITC's Sab Saath Badhein campaign aimed at livelihood creation and environmental preservation.

'However, we often get more clarity about a concept by identifying what it is not,' states Professor Chatterjee. It was also important for the students to illustrate what TBL is not. There are many examples. The now-aborted Millennium Villages Project in sub-Saharan Africa or chemical pollution from Monsanto's products, are just two that convey a particularly striking message. 'The most common example,' continues Chatterjee, 'is the ubiquitous for-profit business that pays little or no heed to environmental pollution. E-commerce businesses, for instance, make a lot of money but generate enormous amounts of waste in packaging and delivery. The other example is that of the responsible charity which is devoted to crucial humanitarian work but does not generate its own revenue for spending.'

The winning team's final proposal featured a ranking mechanism that encourages Indian firms to participate, offers a fair evaluation, and importantly, is simple to implement via a set of baseline measurements and values, the bottom line being that if a firm deviates positively from the baseline criteria, it wins points in the assessment.

For the team, ranking companies using the TBL can only bring positive results. Most companies already measure various parts of their operations in some way, so adding additional chosen measurements would come as no new shock. Thanks to low baseline values, firms would not have to face unsurmountable hurdles to feature positively in the rankings. And finally, firms have nothing to lose – the proposed ranking rewards firms, instead of punishing them. In the end, the proposal is an argument for policy adoption that takes into account implementation hurdles.

Professor Chatterjee is of the opinion that a course on sustainability in the MBA curriculum should be a compulsory feature of business schools worldwide. 'Students should be exposed to issues related with sustainability, possible conflicts between fiduciary duties and expectations from a citizen, the scope of the firm, responsible leadership practices, legitimate stakeholder demands, and facing difficult challenges,' states Chatterjee. 'MBAs should have the requisite competence to arrive at sound, ethical, and humane decisions that serve the objectives of people, planet, and profit.'



Arijit Chatterjee

KEY TAKE AWAYS

THE TBL MEASURES AN ORGANIZATION'S PERFORMANCE BY PLACING EQUAL WEIGHT ON SOCIAL, ENVIRONMENTAL, AND FINANCIAL PARAMETERS – IN SHORT PEOPLE, PLANET, AND PROFIT.

PEOPLE REFERS TO FAIR AND BENEFICIAL BUSINESS PRACTICES TOWARD LABOUR AND THE COMMUNITY AND REGION IN WHICH A CORPORATION CONDUCTS ITS BUSINESS.

PLANET INCLUDES THE ENVIRONMENTAL OR NATURAL CAPITAL BOTTOM LINE AND REFERS TO SUSTAINABLE ENVIRONMENTAL PRACTICES MEASURING THE FIRM'S IMPACT ON AIR, WATER, WASTE, BIODIVERSITY AND ENERGY USE.

THE PROFIT DIMENSION DEALS WITH THE ECONOMIC VALUE CREATED BY AN ORGANISATION AFTER DEDUCTION OF COSTS AND TAKES INTO ACCOUNT FACTORS SUCH AS SALES, PROFITS, ADDED VALUE, CASH FLOW, EBITDA AND SHARE PRICE.

IN GENERAL, "BUSINESS AS USUAL" IS INCREASINGLY BECOMING DIFFICULT TO CONDUCT BECAUSE OF NUMEROUS ENVIRONMENTAL AND REGULATORY CHALLENGES.

IMPLEMENTING THE TBL IN INDIA IS PARTICULARLY CHALLENGING BECAUSE OF THE SPECIFIC CONTEXT OF INCREASING CONSUMERISM, DECREASING GROUNDWATER RESERVES, POLLUTED RIVERS, CROWDED AND CHAOTIC CITIES, AND AN URGENT NEED FOR HIGHER INCOME ESPECIALLY FOR THE POORER SECTIONS OF THE POPULATION.

TIMES HAVE CHANGED



Time to follow
@The_CoBS

This is one of the best sites
[for articles] I have ever visited.
We all need to support women entre-
preneurs in every aspect. The content
is very informative.
Thank you for sharing it.

Ashwin

These articles or blog posts are genu-
inely wonderful and I routinely move
them on to my college students who're
facing/struggling with exams and re-
search competencies – they listen to you
in a very way they really don't to me!

Moinc

Thanks for sharing this stuff,
teaching innovation is one
of the best points I found here,
keep up the good work.
Best Regards.

Fek

This is inspiring and thought-provoking.
As businessmen, we indeed need to
learn to live with sustainability and mind
and we should also learn how to respond
to environmental emergencies.

Chelsea L

Hi, I like your articles every
week. Your writing style is witty,
keep up the good work!

Anon

I love the advice for students about
fostering intellectual curiosity. It seems
like this can lead to a love and passion
for almost anything, especially the
energy sector. My brother in law is very
interested in futures trading. He's looking
into energy market reports.

Jake G

I absolutely love your blog and find a
lot of your posts to be what precisely
I'm looking for. I wouldn't mind publi-
shing a post or elaborating on a lot of
the subjects you write regarding here.
Again, awesome blog!

Rudolphe H

The Council on Business & Society: *What we do*

Global forum

on critical issues at the crossroads of business and society involving academics, students, policy-makers, NGOs and professionals.

Joint courses and course modules

bringing together the CSR expertise of the member schools' Faculty.

Exchange of Faculty

to teach business and society modules within existing programmes.

White papers

and position papers on issues key to business and society.

A Student CSR change-maker competition

bringing together the students of all member schools and all programmes to write a CSR-oriented article, with a certificate, prize money and appearance in Global Voice.

Communication and visibility

via the **Council Community website** and **blog** featuring regular articles, research and opinion pieces on issues relating to leadership and governance, diversity, sustainability, business ethics, energy, employee health and entrepreneurship.

A bank of shared **educational materials** between member schools with an international dimension, available for use in classes, courses and programmes.

A quarterly **eMagazine** featuring impact articles on CSR issues.

Council
Faculty research projects

Inter-school
Student projects

Student Surveys
summarising how our students view key issues facing business and society.

Getting **involved**

Business and Society

*A singular presence
with a global mission*

REACH US

The Council on Business & Society website:
www.council-business-society.org

The Council Community:
www.councilcommunity.com

Our LinkedIn Group:
[the-council-on-business-&-society](https://www.linkedin.com/groups/the-council-on-business-&-society)

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