

Global Voice

Keys to the common good

December
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An alliance with a purpose



The Council on Business & Society

Recognising the enormous role business can and must play in helping solve large-scale, global issues facing the world, four 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.

The five schools that make up the Council on Business & Society



- ESSEC Business School, France, Asia-Pacific and Africa
- FGV-EAESP, Brazil
- School of Management, Fudan University, China
- Keio Business School, Japan
- 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.

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/Editorial

By Professor Christian Koenig, Executive Director,
Council on Business & Society

As 2018 draws to a close, I have the great pleasure of welcoming you to this crowning issue of Global Voice magazine. It is a good moment to pause and look back both at our own achievements and also at the events that have marked the year. Before we do, may I say thank you for reading this issue of Global Voice and keeping up to date with our articles – be they those drawn from our schools' leading research, our faculty and students' opinion pieces on issues affecting the world, or news of our events: you are among the now three-quarters of a million people worldwide we have reached in 2018 through our website, blog and various social networks!

Looking back, 2018 seems to have been a tumultuous year and we may be forgiven to conclude that the relative international stability of the past decade or two seems to be on a tipping point. Our year has been marked by a shift towards the more extreme of expression and standpoint. Trade war, armed conflict, anti-globalisation, diplomatic crises, stand offs and populism have been in the news almost every day, submerging the positive that has happened throughout the world, and sometimes in our daily lives too.

One small though significant part, that both the Council and you – as our readers and often doers – have played, is to focus on the positive contribution that institutions, education, research, students, entrepreneurs, mission-led companies, policies and non-profits have brought to society through our work and determination for the common good. We could indeed consider that we together also serve as part of the counter-balance in the bigger picture of things: a level-headed objectivity, an informed opinion, and decision shaped by goodwill, open-mindedness towards

other cultures, positive values and empirical facts.

2018 has been a good year for the Council: Warwick Business School, United Kingdom, officially became our fifth member in June. The Council also entered into knowledge partnership with the Center for Sustainability GVCes in Brazil and very recently tied links of deepening cooperation with the OECD. 2019 will see the Council on Business & Society endeavouring to enlarge its membership to 10 leading educational institutions across the 5 continents to increase its impact and strengthen its global voice. Several student and faculty projects will be launched with a business for society aim – and these will be announced early in the New Year. The Council will also continue to offer a voice to student contributors, entrepreneurs, business leaders and policy-makers if they so wish – and this includes you, our readers.

In the meantime, I invite you to keep up to date with our articles, news and insights by following us on Twitter @The_CoBS or visiting our Council Community blog or our website www.council-business-society.org where you can download a host of publications on business at the crossroads of society.

On behalf of the Council schools: ESSEC Business School, FGV-EAESP, School of Management at Fudan University, Keio Business School and Warwick Business School – enjoy your reading and wishing you all a very happy and prosperous New Year!

Kind regards,




Prof. Christian Koenig

Executive Director
Council on Business & Society
Council on Business & Society website:
www.council-business-society.org
Council Community blog:
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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 for promoting responsibility so as to impact today's economy and society, and shape tomorrow's world."



Dean Luiz Artur Ledur Brito, FGV-EAESP

"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

"As a leading European Business School with a global outlook at the heart of a world-class University, Warwick Business School is committed to developing transformational ideas and people that shape how we do business. Along with our partners in the Council we believe in the power of education to create the policymakers and business leaders of tomorrow to tackle societies' great challenges. Only through working together across disciplines to produce cutting-edge research can we develop the new thinking and ideas that will lead us through the challenges of global warming, ageing populations, increasing inequality and the need for greater diversity and equality. Through our common values of curiosity, openness, restlessness and the continuous striving for excellence we can produce the entrepreneurial, socially aware and responsible leaders the world needs."

Our contributors

Brains that have Brawn



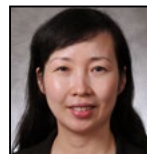
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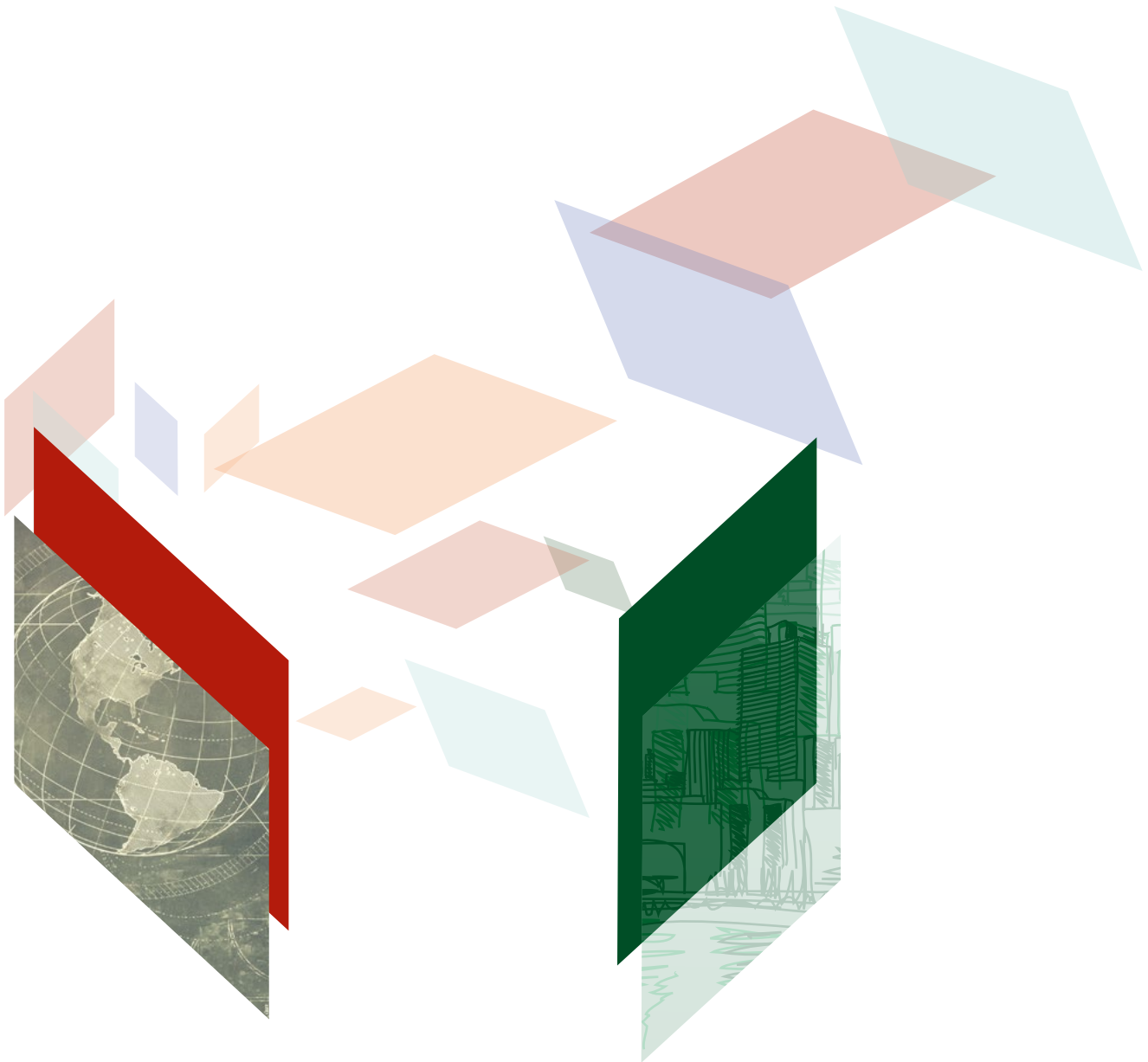
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A field of many dark blue umbrellas is shown from a high angle. One umbrella in the center is a bright green color. A large, semi-transparent overlay in shades of yellow and orange covers the middle of the image, partially obscuring the green umbrella. The text "BUSINESS & SOCIETY" is written in white, sans-serif capital letters across the center of the overlay.

BUSINESS & SOCIETY

OF LOVE AND POWER: HOW PARTNER CHOICE MAY MAKE OR BREAK A (WOMAN'S) CAREER



Prof. Aarti Ramaswami of **ESSEC Business School** and her fellow researchers George F. Dreher at the Kelley School of Business at Indiana University, and Tom Dougherty from Trulaske College of Business at the University of Missouri, share new research on the influence of partners on career attainment.

From the forthcoming research paper *Women Reaching the Senior Executive Suite: A Framework of Life Partner Advocacy and Power*, George F. Dreher, Aarti Ramaswami, Thomas W. Dougherty in the journal *Research in Human Resource Management*.

COMMENCEMENT DAY. Among the cheers, laughter, and mortarboards flying high through the air in a celebration of years of hard study that come to an end, two bright young people of

similar stamp catch each other's gaze through the tumult. There is something serene about them. As though their eyes were meant to meet, as though the new life out there waiting was

meant to be their journey, together – first jobs, careers, home, little ones, happiness and fulfilment. In that precise moment in time, their eyes locked, a decision was waiting to be taken.



© Sipastry

And of course, because we believe that good and lovely things happen in life, they took that meaningful first step forward to each other that was to lead to a common path taken.

But what if they had stepped back, thrown a little perspective on that odd happening in such a noisy event? What if there was already a nagging question in their minds? No – not the one anticipating the mental state of the future mother-in-law – a question that says: Is this person going to help me or hinder me in my professional ambitions?

CAREER – AND THE COUPLE – AT A CROSSROADS

Couples change. Lives change. And many of these changes are associated with our jobs and how we evolve in the world of work over time. From beginnings that research has showed bring people together of similar level of education and career-oriented values, initial parity will likely give way to the career of one of the partners in heterosexual couples outpacing that of the other half. What happens then? Do the men among us swal-

low the fact that our spouse earns more, goes to cocktails and flies off to exotic locations on business trips? Do the women among us simply bury our dreams and sacrifice our careers to look after the kids and support hubby – who, incidentally, also goes to cocktails and flies off to exotic locations on business trips? Among the upper echelons of management, the picture is telling: according to Catalyst, a global nonprofit organization focused on empowering and accelerating women in business, as of June 2018, there were only 23 Fortune 500 companies lead by female CEOs. Why should that be?

The field of career development and especially women's career development has been widely studied and researched. This research, however, has mainly dealt with factors such as human capital development, motivations, bias, barriers and discrimination – leaving the view empty of other variables required to fully understand men's and women's career attainment.

This is where new research kicks in, carried out by Prof. Aarti Ramaswami of ESSEC Business School and her fellow researchers George F. Dreher and T.W. Dougherty. It focuses on the extent to

which a life partner acts as a catalyst or inhibitor in the competition to reach the so-called C-suite – the corporation's top tier of senior executives. Returning to the Fortune 500 statistics, it is indeed during the final round of the career tournament that a life partner may play a particularly decisive role.

Prof. Ramaswami's research has led to four profile types of partner to be proposed and the various linkages and impact each of these has on a partner in reaching the C-suite. In addition, gender and culture dynamics are kneaded into the model to show how these variables affect and moderate the linkages.

Sheryl Sandberg, COO of Facebook, says in her book *Lean In: Women, Work, and the Will to Lead*: 'I truly believe that the single most important career decision that a woman makes is whether she will have a life partner and who that partner is.' In that light, Ramaswami et al propose the question: What would be the most advantageous personal situation for a high-potential woman to be in at mid-career if she aspires to be a senior manager? Here's what their research came up with.



THE PARTNER AS CAREER COMPETITOR

Their first profile, the Career Competitor, takes on many of the characteristics of the alpha male/female who typically believes that his or her career is the lead career in the relationship with career ambitions at the very heart of their *raison d'être*. They are typically 'the leader' in the couple and lend little support to their other half. This is bad news for the couple, especially the one left behind – the development of the more powerful partner coming to be seen as an infringement on the development of the other's. Conflict naturally results, one of the main issues being that while one partner has to relocate to a higher salary as part of the promotion package, the second partner loses out with a lower increase or even decrease in earnings. Typically, the latter tends to be the female partner in the couple.

You might think that two educated people would find a middle ground. But here again, research shows that the spouse in command of the most resources is able to impose decisions and outcomes that further their own goals to the detriment of their partner's. Culture also plays a part. For those exposed to societal values that put emphasis on hierarchy, status and achievement, early career success will more likely spur those partners to believe that their career is the lead career in the relationship – to the detriment of the other partner even if catching up at a later stage. And what

about gender? It seems that it's harder for male partners to accept that their spouse earns higher pay. As such, a high-earning female will tend to take on a higher amount of housework and chores in an attempt to relieve the male partner's unease with the situation – thus freeing up the lower-paid male partner to catch up the gap. In a nutshell, there are two lessons to be learnt from shacking up with a Career Competitor. First, that forming and maintaining a personal partnership with a career competitor will reduce the likelihood of reaching the C-suite. And second, that the negative effects of hitching up with a Career Competitor will be less pronounced for male contenders for the C-suite than for women.

THE PARTNER AS CAREER MENTOR

Couples may start out with goodwill and perceive each other's career advances as beneficial to the development of each other's. However, as the climb to the top reaches ever-higher heights, it becomes increasingly difficult for couples to sustain two C-suite-oriented careers. To maintain stability in the couple, one has to give while one has to push on – and invariably it is the partner with the most family power that will see his/her career take precedence. The partner who gives way will then tend to take on a Career Mentor role, stepping off the accelerator to their own career and using their acquired experience and networks

to propel the other. This can come in the form of coaching, influencing and encouraging the other for key opportunities and roles, providing exposure and visibility to powerful others, and even protection from potentially harmful situations or people. For the ambitious C-suiter, this is a boon – having a high achieving partner who is willing to act as a broker within powerful networks, act as a mentor, provide support and understand career-oriented problems and stress factors, is advantageous when competing in the senior management career tournament. But here again, gender has an impact. And it's the man, of course, who has difficulty in asking for or accepting career advice from his female partner and who suffers the negative effect. For women, the Career Mentor coin has another, more advantageous side. Typically, their male partners will be older and their greater working experience and access to power resources to which women may not have, can be potent for helping their female spouses in striving for career success.

THE PARTNER AS A CAREER RESOURCE

As mentioned earlier, one way in which to scratch the other's back in return for increased family income and stability is to scale back on your career and provide additional support to the lead careerist. This might take the form of taking up a part-time job, flexible hours, early retirement or even quitting work altogether to take up the role of stay-at-home spouse. A key contribution of the latter is the capacity to offer social support that saves the physical and mental resources of the working partner, and may even take the form of caring for children and elderly parents, entertaining, or even taking off some of the workload from the other by organising schedules, planning business trips or writing up memos and reports. All in all, because of the extra availability of time and a flexible schedule, possible ongoing income and knowledge of the workplace, this partner type has the potential to enrich their partner's career.

But there is a downturn. Because work in the office is more valued, staying at home – even with a workload – is a source of additional inequality between people. Very simply, it increases the decision-making and bargaining power of the employed partner. Moreover, men seem to benefit more from this type of partnership, mostly due to how we have been shaped by gender roles. Traditional fathers (with stay-at-home wives), for example, are perceived as being more stable, professional and requiring increased financial needs. All this leads organisations to boost male career advancement. The numbers crunched from research speak for themselves: married men with working wives earn less than married men with stay-at-home wives. And finally, women lose out because even if their male spouse stays at home, they will continue to perform a disproportionate amount of childcare and household work.

NO PARTNER – LUCKY FOR SOME, LESS FOR OTHERS

Being in the no-partner category produces forces working both for and against the likelihood of you reaching the C-suite. No Partner can mean the eternally single, the currently on-a-break, or even the divorced and widowed. The odd thing is that at first glance this category of individual may seem to hold the upper hand when it comes to career advancement: they have the time, lack of commitment, and – able to eat whenever they want – don't have to be present at 6.30 pm sharp with a napkin tied around their necks. However, think twice – being single presents its own set of problems to bear. Research shows that they are subject both to cultural biases and discrimination that have a negative impact on their capacity to reach the C-suite. Men are especially losers in this field because despite the increasing number of adults choosing to be single, cultural norms place a high value on marriage and married couples. Marriage signals maturity, family values and meaning in life with married men especially considered as more productive and effort-oriented. We even talk of a marriage premium of 15% higher wages. Lo-behold the single guy – less responsible, immature, carefree and even delinquent. For a woman it is different: here the research leads to the conclusion that single women are likely to ad-

vance more than married women (with or without children) – they are likely to have more time for energy-intensive jobs than married women, have fewer employment disruptions than married women and are more likely than married women to be perceived as having financial need because such resources are presumed to be provided by married women's husbands.

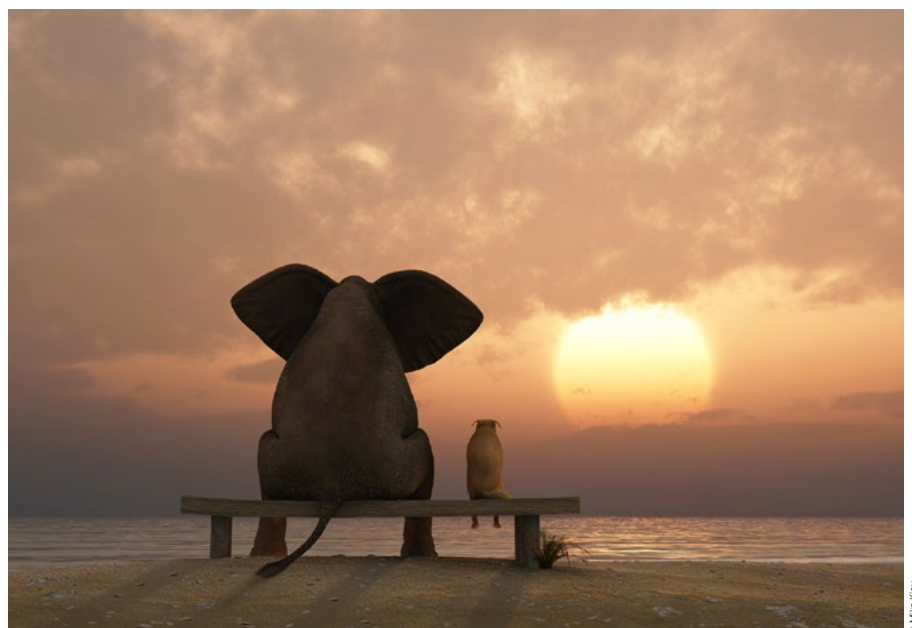


Couples change. Lives change. And many of these changes are associated with our jobs and how we evolve in the world of work over time.



BITTER C-SUITE SYMPHONY OF LIFE

Altogether, Profs. Aarti Ramaswami, George F. Dreher and T.W. Dougherty provide us with an interesting insight into the little researched area of the impact our partners have on our careers. The race to reach the C-suite for women may be handicapped from the outset – naturally so, because there is

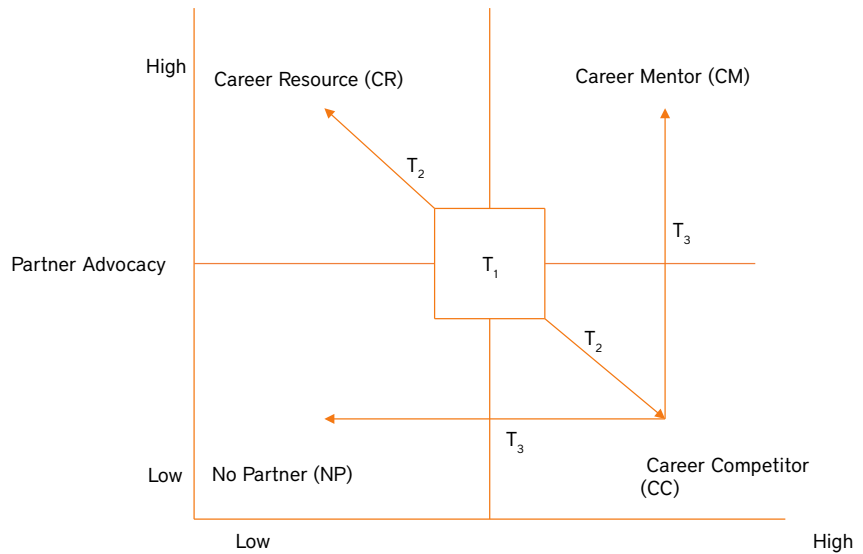


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a universal preference found in virtually all cultures for women to prefer male partners who are three to four years older than themselves (or for men to prefer younger female partners). As such, this gives a head start for men in amassing both social, experiential and financial capital as they begin work earlier. It also means that women are more likely to fall into a relationship with an alpha male career competitor – the partner type that offers the greatest negative career consequences for becoming a top exec. Cultural context may also hamper a woman's ascension to the summit – just think of Sweden compared to India, for example. All in all, choosing a perfect partner is a difficult thing. If you're hell bent on reaching the C-suite, then it is a partner who acts as a career resource that helps most. And a partner who is a career competitor who hampers most.

Should we stop, step back and assess future career attainment each time that mischievous cherub harpoons us with an arrow? And what if we return to the beginning and the young couple whose gaze met on Commencement Day? Many of us have no doubt had such a moment – and it takes your breath away. Better to gulp in new air, step forward and see where things end up mid-career. After all, we want to believe in good and happy endings.

FIGURE 1
A TYPOLOGY OF PARTNER TYPES



Aarti Ramaswami



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The pioneering spirit

ALTERNATIVE AND SOMETIMES EPHEMERAL: SOCIAL INNOVATION IN ACTION



Mario Aquino Alves, Professor of Public Policy and Corporate Social Responsibility at **FGV-EAESP**, puts the spotlight on business from the bottom up and how it benefits the common good in an alternative and sometimes ephemeral way.

Humanity is not just the bright side of the world, it's also the dark side – and humanity is essentially two sides of the same coin when it comes to progress. Moving away from the shadow, one form of light comes in the shape of social innovation.

SOCIAL INNOVATION can be considered in terms of being part of a business or as a process, with alternative organisations being an outcome of this. Moreover, on a political level, social innovation isn't necessarily a left-leaning

notion – look at micro-financing or micro-credit. The Peruvian organisation Laboratoria is another example. Its aim is to provide employment opportunities to minorities – woman, the gay and black communities – and even if there

is a notion of inclusion in its purpose, it still deals with business and with business models.

Generally, social innovation is not something you cannot completely control,

an interesting point being that we need to treat it differently than industrial-era business and management models that relied on plans, cycles and processes. In comparison, social innovation is more a question of trial and error, experimentation, learning and engaging. In different contexts, social innovation emerges in different forms – sometimes more society-driven, sometime more business-driven, sometimes government-driven. However, most of the time, social innovation is a question of a being a mixed model, an interaction between society and business, business and government. Moreover, sometimes business ventures turn out to be social innovations despite having not starting out in this way – banking services, for example. But there can also be both positive and sometimes negative externalities. Just think of Uber-type services whose by-product might be the creation of even greater traffic congestion, noise pollution, CO² emissions and even industrial disputes as witnessed in several countries this year.

ALTERNATIVE ORGANISATIONS

As mentioned, alternative organisations often result from social enterprise. Firstly, an alternative organisation exists because there is an already existing traditional organisation to differ from – one characterised by vertical organisation, hierarchy, well-defined tasks, rationality (or at least the myth of rationality that

runs through it) and processes. Alternative organisations are those that do not follow the ordinary path – that is, not a profit-driven argument for existing or organised with a structured hierarchy. The alternative organisation may be horizontal, virtual, networks, or even ephemeral organisations.

In another sense, alternative organisations are alternatives to capitalist-type organisations. This doesn't mean they are against capitalism, but they find their leitmotiv in creating new forms of organising capital. Coops are a good example. Here, mutual gain is highlighted. Building on Darwin's theory that the evolution of the species is through competition, the cooperative model can be said to advance the idea that survival of the fittest may also occur through cooperation. Moreover, they are not a new phenomenon, and their roots go back to Mediaeval times with, for example, hospices financed by the wine growers of Burgundy. However, the interesting point is that after the 1980s-90s, cooperatives have moved to a more alternative model. This can be seen, for example, at grassroots level in Argentina where workers occupied their closed factories and started to manufacture the goods themselves, or garbage pickers who started to organise themselves into cooperatives, as well as middle-class initiatives working on alternative schooling models and housing systems and then again, in Quebec, Canada, the emergence of the cooperative housing system 30

years ago. All in all, in various parts of the world there is a renaissance of the cooperative model.

At another level of alternatives is the emergence of the social impact model with a social goal in addition to a profit goal. Social fintechs in Brazil and Grameen in Bangladesh, for example, are new forms of delivering banking services – with a social customer base but also combining issues from the local social context and purpose. Laboratoria, the Peruvian alternative organisation that now has branches in several Latin American countries, is another example, the organisation having shareholders but whose main purpose is the inclusion of women. And then there is the movement that includes BCORPs – where companies, putting the social goal before profit goal, gain benefit through a commitment to tackling social issues.

Alternative capitalist organisations constitute a final dimension to the notion with Portugal (social currency), The Netherlands (energy) or Japan (care of the elderly) catering for the wider community in exchange for a currency which can be used on the market. The other side of the coin, so to speak, is electronic currencies that use the block chain, such as the bitcoin, but they also include social electronic money. The difference must be made, then, between alternative forms of organising as opposed to alternative forms of organisation.



EPHEMERAL ORGANISATIONS

Here, the dimension of mobilisation and type of social capital that is generated is the most important aim – because the simple gesture of putting people together might give rise to other forms of business or organisation. The traditional imperative of organising people and resources through processes – with a view to long-term activities and growth – may in fact generate a whole host of problems that include mission drift and complexity. A new generation of entrepreneurs has come to light that contends that an organisation isn't necessarily meant to last in

time. They come together with an idea in order to achieve a particular mission, be it political, artistic or even cultural – and then subsequently disappear once the objective is attained.

Once again, the phenomenon isn't brand new. Thirty years ago ephemeral organisations made the news, then disappeared. They are now re-emerging, mainly due to the fact that this form of organisation is very much adapted to the environment in which we are currently living – virtual offices, agile teams, uncertainty, rapid change, AI and social media. Why need a static building in downtown Sao Paulo when needs change and space needs to be occupied by something new? It's all part of the evolution of things. The shift is there – vertical organisations are disappearing as we know it. And who knows, perhaps even the vestiges of our Mediaeval past – the universities – may also one day follow suit.

CAPITALISM 4.0?

Capitalism is interesting in the sense that it is omnipresent, albeit in different forms, all around us. But what we need to do today is to raise awareness about capitalism and its sense. We need to be aware of what we are doing – to nature and to human beings – in the pursuit of capitalism and consumerism. It means talking about the impact we are making, not just for the shareholders but for the stakeholders as well – employees, suppliers, the local community, the country and even the planet. For this reason, we sometimes need to think backward instead of forward. We have come a long way over the past 1,000 years in terms of standards of living and openness to tackle issues such as equality. On the other hand, we are in a much worse state in terms of our relation with nature. We need to raise awareness on this issue. As an industrialist, for example, you may focus your



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The short-term
must give way
to a wider perspective
and vision
in the ways
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we do business – for
the common good.
”

activities on mining. But are you willing to be an accomplice to the genocide of a nation in Africa or in South America? These are some of the questions we need to ask. For the long-term good of both people, planet and also profit, the short-term must give way to a wider perspective and vision in the ways in which we do business – for the common good.



Mario Aquino Alves



No single university can really understand what constitutes success in other regions of the world.

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SCIENTIST BY DAY, ENTREPRENEUR BY NIGHT



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Since the 1940s, the United States has had a clear lead in commercializing their scientific research. **Professors Kazuhiro Asakawa** of **Keio Business School** and **Mark Lehrer** of **Suffolk University** explore this phenomenon through the examples of Japan and Germany as they play catch up.

Based on the research paper Pushing Scientists into the Marketplace: Promoting Science Entrepreneurship, Mark Lehrer and Kazuhiro Asakawa Published by California Management Review Publication (2004)

WORLD WAR II left much of the industrialized world in ruins and conferred an unprecedented technological lead on the United States. Several countries

have played catch-up ever since and even surpassed the U.S. in technologically mature industries. Japan and Germany are prime examples of such countries

that now consistently lead the U.S. technologically in established sectors such as automobiles, consumer electronics, and machine tools.

Arguably, however, the 'final frontier' of technological catch-up is the nation's capacity to pioneer new science-based technologies and industries – essentially to develop scientific research and commercialize it. And biotechnology was seen as the hub for this trend.

BASIC RESEARCH VS APPLIED RESEARCH

Several Successful firms in this sector today have been founded by scientists. Such "science entrepreneurship or Scien-trepreneurship"—the simultaneous dedication of scientists to academic science and to commercial profit—has a well-established history in the U.S. and, from the 1980s in the UK, but is relatively new in Germany and Japan where there is strong distinction between research and industry.

In Germany, there is a lack of encouragement for academic scientists to commercialize their discoveries, while in parallel Japan has always given more emphasis to applied technology fields with direct commercial uses as compared to basic scientific research. As is evident, lack of excellence in science entrepreneurship is not just due to a lack of venture capital. It has to do with the way these scientists are perceived in the market economies.

The occupational identities of those who work to expand the principles of fundamental science are defined around norms of sharing and diffusing, not appropriating knowledge. This contrasts

with applied research, which constitutes private knowledge-production which can be regulated through patents and delegated to private parties.

A COMPLICATED DIVERGENCE

The divergence between basic research and applied research can be explained by a post-war era mobilization that took place when most of the countries outside the borders of the US decided to set up Federal research institutes outside of the universities. The objective was to allow universities to concentrate on general education while research centres focused on increasingly specialised areas of science.

The disparity can also be seen in hospitals where in the US medical centres combined facilities for treating patients with laboratories for medical research while most of the rest of the world bifurcated such activities.

As such, it was relatively harder for university scientists outside of the US to set up their own firms. Meanwhile, the commercially focused academic labs had become hotbeds of biotech innovation. At the end of 1999, U.S. companies had over 200 biotech therapeutics in Phase II/Phase III testing whereas German and Japanese companies together had less than five. The figure shows how US garnered a strong lead over Japan and Germany due to its post war era policies. So what caused this disparity?

THE STUMBLING BLOCKS TO SCIENCE-ENTREPRENEURSHIP: WE ARE ALL JUST STATE EMPLOYEES.

Both Germany and Japan have more or less shared the same issues. Ever since the beginning, virtually all universities and scientific research centres in Germany were and still are state institutions, so the bulk of academic scientists conducting basic research were doing so at the pleasure of the taxpayer. In a way, it could be said that any additional state incentives to encourage scientists to start their own firms would mean taxpayers were "bribing" state employees to pursue private profit. As such, it was difficult for science entrepreneurship to emerge under the public-sector norms governing these universities. However, unlike Japan, there was no law that forbade scientists to pursue outside paid activities.

In Japan, despite there being far more private universities than in Germany, most of them were tuition-funded teaching schools without sufficient resources to support extensive research. What's more, professors at National Universities were classified as civil servants – and legally, civil servants were not allowed to serve on or found private companies. A legal exception for professors would require action at the highest levels of the central government and legislature.

In addition, as opposed to the case of Germany where policy governance was carried out by the Federal Research and Education Ministry (BMBF), the Japanese policy institution had to be cut across five ministries and agencies including the Ministries of Education, Health and Welfare, Agriculture, Forestry and Fisheries, and International Trade and Industry (MITI). It comes as no surprise then that the formulation of policies more often than not found itself faced with a mountain of bureaucracy to climb. So how did each of these two countries tackle the situation?



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GERMANY: FROM RESEARCH CENTRES TO TECHNOLOGY PARKS

Germany was different in the sense that while the infrastructure for R&D was well developed, there was a lack of push for science entrepreneurship. The BMBF recognised the need for enhanced focus on the 'commercial productivity' of public R&D and from 1995 began advocating for it to an unprecedented extent.

The ministry began referring to tech start-ups as SMEs as a sign of their support and to include them into mainstream policies since SMEs formed the very backbone of the German economy.

In 1995, the BMBF organised an inter-regional competition in biotechnology for federal support funds. The policy objective was to encourage the self-organising formation of clusters of variegated organizations that would network to create new ventures. This so-called BioRegio Competition led to the formation of 17 regional biotechnology offices. These were essentially tech parks, that not only housed biotech firms but also provided a wide range of entrepreneurship support services such as providing advice, financing and marketing to scientists who wished to step into the field. The offices also subsidized patenting activities for them.

Technology parks benefitted from an already well-developed scientific infrastructure. These clustered around pre-existing laboratory installations at universities and research centres and German scientists jumped at this opportunity of potentially substantial returns with minimal risk owing to the high support from the federal programmes. The end-result was a boom in the number of biotech firms in Germany, tripling from 75 to 222 in a span of just 3 years (1995-1998). However, German Science entrepreneurship can be seen to be largely riding on the existing system of public sector science without any real reform of the latter. This is where the contrast with Japan is illuminating.



JAPAN: THE POLICY OF COMPLETE OVERHAUL

In Japan, policies did not simply add a new layer to existing science and technology, but instead sought to overhaul the system of scientific research.

A first wave of reforms began with the government's first Science and Technology (S&T) Basic Plan in 1996-2000. It promised to increase research infrastructure for biotechnology and to revamp the patent evaluation system. This policy incentivised the commercialisation of research, bringing in more competitive and government funding. Like Germany, assistance was made available in patenting research results.

Addressing the issue of scientists' status as civil servants, the policy allowed professors at national universities to serve as officers of private firms. It also advocated to allow universities to set up their own TLOs (technology licensing organisations). As a result, there were over 300 biotechnology venture companies founded within a span of 5 years by 2003.

Reform did not stop there. Japan went one step further and set up a second basic policy which envisioned Japan as a leading science nation. The efforts included revamping the complete system of funding and career tracks for scientists

and its policy of merit-based funding and hiring as opposed to patronage and seniority was ground-breaking, albeit slow progressing. And finally, to ensure that these policies were implemented, a Council for Science and Technology Policy (CSTP) was set up in 2001 – a step that their German counterparts passed up on.

THE FINAL FRONTIER – REVISITED

At one level, Germany and Japan have been fairly successful in accelerating their growth in Biotechnology start-ups. These countries will continue to make headway for years to come. At another, catching up the US in science entrepreneurship is a long and arduous process and will continue to be challenging for both these countries – while it may be easy to reform political structure and encourage individual science entrepreneurship, it is a lot more difficult to foster it at institutional level.

While Germany and Japan, through the implementation of policies, have piggy-backed on the existing R&D infrastructure to promote science entrepreneurship, research institutions in the US are entrepreneurial at the institutional level itself. Here, the research institutions do not merely allow links between their scientists and private sector, but

positively encourage them. The top administration of US universities and medical centres act more like private sector managers than bureaucratic leaders.

The competitive advantage of academic scientists in the US does not lie in knowledge or professionalism but simply in the extra efforts that they are required to put in to thrive in their highly competitive environments. University Scientists are regularly engaged in seeking outside research funding along with their regular classroom, laboratory and publishing duties. Scientists abroad are unlikely to advocate for equal working conditions such as these – even if it led to diminishing this clear advantage over them.

As such, science and science entrepreneurship in this sense represent the final frontier of catch up with the US and remain – at least for the present – one of the last unquestioned bastions of institutional integrity and excellence in the United States.

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The competitive advantage of academic scientists in the US lies simply in the extra efforts that they are required to put in to thrive in their highly competitive environments.”



Kazuhiro Asakawa



Keio Business School
Graduate School of Business Administration, Keio University

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ARE CHINESE FIRMS “TUNNELING” THEIR WAY OUT OF CORPORATE PHILANTHROPY?



Yuejun Tang, Associate Professor at the School of Management, **Fudan University** and **Justin Tan**, Professor of Strategic Management/Policy at **York University** set out to investigate why Chinese firms are reluctant to donate money from a corporate governance perspective.

STRONGER BRAND value, better relationship with stakeholders and improved financial performance – these are just a few of the myriad benefits arising from corporate philanthropy. Yet, it has been found that less than 1% of Chinese firms make charitable dona-

tions and a vast majority have no philanthropic agenda whatsoever. Why is China lagging so far behind the US and Europe when it comes to charitable giving? Surely it is not due to a lack of resources. China, after all, is perfectly cut out to surpass the US as the world's

largest economy by 2030. It has lifted more people out of poverty than any other country. What, then, is keeping Chinese firms from donating?

TUNNELING: A CRIPPLING AFFLICTION IN CHINESE FIRMS

The answer lies in the corporate governance of Chinese firms. Chinese companies have a pyramid control structure whereby the ownership is highly concentrated in the hands of a few. More often than not, these few shareholders end up exploiting the rights and interests of small- and medium-sized shareholders, by virtue of their superior controlling powers. In other words, they engage in “tunneling” activities to channel private benefits towards themselves at the cost of the minority shareholders’ interests.

The ultimate controllers are unlikely to devote their resources to corporate philanthropy because the tunneling effect promises a much greater earning potential than corporate philanthropy does. Also, any benefit arising from corporate philanthropy would have to be shared with all shareholders while the fruits of tunneling activities are reserved exclusively for the ultimate controllers. Our study with 1,100 Chinese A-share listed companies revealed that the higher the voting rights of ultimate controllers the lower their ratio of charitable donation to revenue. Instead the ultimate controllers readily turn to tunneling behaviors for private gains.

WHOSE MONEY SHOULD CHINESE FIRMS DONATE?

Interestingly enough, although ultimate controlling shareholders in A-share listed companies are reluctant to donate assets they control, they are more willing to donate if most of the money comes from minority shareholders. While ultimate controlling shareholders have greater voting rights than the other shareholders, they often have much lower cash-flow rights. This means that most of the corporate resources actually come from the minority shareholders, but it is the ultimate controllers who decide how to utilise these resources. In such cases, ultimate controllers donate some money that belongs to minority shareholders in pursuit of a win-win scenario whereby they get to enjoy the benefits of cor-

porate philanthropic behaviors without spending any of their own resources. We found that the greater the deviation of voting rights and cash-flow rights among private enterprises, the higher is their total donation ratio.

ARE WE REALLY DONATING FOR THE RIGHT REASONS?

Private enterprises (PEs) fare relatively better than state-owned enterprises (SOEs) when it comes to corporate philanthropy in China. They tend to engage in corporate philanthropy, albeit with the resources of minority shareholders, to boost political legitimacy and acquire precious resources, ranging from fewer government regulations to preferential tax policies and restricted competition. The SOEs, on the other hand, are less motivated to donate – even during times of crisis. For example, we discovered that after the devastating Wenchuan earthquake of 2008, the ultimate controllers of A-share listed private enterprises offered more donations than those of state-owned enterprises.

Unfortunately, a lot of the magnanimity of giving fades away when we realise that many PEs consider corporate philanthropy merely as a kind of insurance against their tunneling activity. For such enterprises, philanthropy



serves as nothing more than an enticing opportunity to discourage external monitoring by minority shareholders, and mask tunneling behaviors.



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The government could play a critical role by encouraging strategic philanthropic behaviour, supervising social responsibility and increasing tax allowances.

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THE SILVER LINING

Yes, Chinese firms are indeed ‘tunneling’ their way out of corporate philanthropy. They are disproportionately more focused on tunneling activities than on charity. However, despite our dismal findings, we still harbour hopes as business ethics and institutional reforms continue to evolve in China. The government could play a critical role here by encouraging strategic philanthropic behaviour, supervising social responsibility and increasing tax allowances. A tighter supervision over the pyramid structure can surely serve to prevent the ultimate controllers from gaining private benefits by donating only the money that comes from minority shareholders.



Yuejun Tang

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ARE ETHICALITY AND PROFITABILITY MUTUALLY EXCLUSIVE?



Dr Jieun Ryu, teaching associate at **Warwick Business School** and lecturer at the **University of Northampton**, studies the question of whether it is really possible for a firm to achieve both ethicality and profitability at the same time?

THE CONVENTIONAL VIEW states that business ethics is an oxymoron – ethical and business behaviours must be conflicting as economic profitability is more important than ethicality in business. Although some will argue that creating profit can make the world a bet-

ter place, recent incidents do not seem to support this idea. In March 2018, Amazon became the second most valuable U.S. company after Apple, as the value of their stock rose. Moreover, Forbes listed Jeff Bezos, the CEO of Amazon, as the wealthiest in the world, in May 2018.

As a matter of fact, Amazon contributed to society by creating more than 200,000 jobs in the US and over 27,000 jobs in the UK. However, unsafe working conditions and poor treatment of the workers in their UK warehouses have been constantly reported throughout

the years. In November 2016, it was revealed that Amazon delivery drivers work illegal hours to deliver all the assigned parcels and receive less than the minimum wage of £7.20. Moreover, Amazon's constant surveillance on warehouse workers' location and their movements by means of a wristband have been criticized for the pressure created, as workers reportedly do not take a break even to go to the toilet to meet performance targets. Amazon, like many other financially successful corporations such as KPMG, United Airlines, and Barclays, has shown us that profitability has not always resulted in ethicality, and that incorporating ethics into management is challenging.

Therefore, one important question which arises is the following. Why is it hard for big corporations to achieve a balance between ethicality and profitability?

The most well-known reason why owners and/or managers make unethical decisions, especially when they face fierce competition, is because they believe that their unethical decisions and practices pay off, particularly in a competitive market. In their 2004 paper *Managing to be ethical*, Trevino and Brown identify a further five common myths about implementing business ethics:

- 1) It's easy to be ethical but ethical decision making is a complex, multi stage process.
- 2) Unethical behaviour in business is simply the result of "bad apples" but most people are followers when it comes to ethics.
- 3) Ethics can be managed through formal ethics codes and programmes but formal systems do not guarantee effective management.
- 4) Ethical leadership is mostly about leader integrity but developing a reputation for ethical leadership requires more than strong personal character.
- 5) People are less ethical than they used to be but ethical behaviour is nothing new, although there may be more opportunities to be so.

An underlying assumption here is that corporations are established mainly for economic purposes that include maximizing profit rather than providing social goods. Nevertheless, there are many successful cases achieving both ethicality and profitability in business, by drawing on the concept of "Blended Value Proposition".

BLENDED VALUE PROPOSITION: ECONOMIC AND SOCIAL VALUES ARE NON-SEPARABLE

In 2000, Jed Emerson introduced the term "Blended Value Proposition" using the concept of a "double bottom line" and a "triple bottom line". A double bottom line emphasizes that a corporation must pursue and deliver not only economic value, but also social value. In the case of "triple bottom line", environmental value is added to the "double bottom line".

Unlike a traditional view which considered economic and social values as separable, the blended value proposition provides a framework that enables an organisation simultaneously to create economic, social, and environmental values. Indeed, there are many different forms of business which look for a double/triple bottom line across profit and non-profit sectors, such as corporate philanthropy, social investment, social enterprise, and non-governmental organisations.

“There are many successful cases achieving both ethicality and profitability in business, by drawing on the concept of 'Blended Value Proposition'.

Among others, social enterprises are one example of entities which aim to achieve double/triple objectives through their business activities. Given that social enterprises are a recent organisational form, there is no international consensus on the definition of social enterprise. However, many scholars and practitioners agree that a social enterprise is a hybrid organisation which pursues dual objectives at the same time – financial and social objectives.

These blended objectives can be achieved through various activities depending on an organisation's characteristics and business model. As Michael J. Alter observed: "Social objectives aimed at mission accomplishment (social value creation) vary widely depending on the organisation's mission and sector and financial objectives focused on financial sustainability (economic value creation) vary according to funding needs and business model."



SOCIAL ENTERPRISE: THE BIG ISSUE

The Big Issue, founded in London in 1991, is one of the most successful social enterprises in the UK. Having started as a magazine, now the Big Issue Group runs four organisations which differ according to their main objectives and activities, namely The Big Issue magazine, Big Issue Invest, The Big Issue Foundation, and Big Issue Shop. The Big Issue aims to “dismantle poverty through creating opportunity”. It creates job opportunities for homeless and long-term unemployed people to “earn a legitimate income” by selling the magazine. The vendors buy copies for £1.25 from the Big Issue and sell them for £2.50.

The Big Issue makes profits by selling the magazine to the vendors, and the vendors as micro-entrepreneurs develop sales and financial skills which can help them in their search for employment. Moreover, The Big Issue provides various forms of support for the vendors, including temporary or permanent housing, healthcare, education and training, financial counselling, and the possibility of connecting with family.

This social enterprise model has been very successful at national and international levels. According to The Big Issue magazine, over 92,000 vendors earned £115 million during last 27 years. Currently, there are around 15,000 vendors across the country, and they earned £5.5 million last year. As a result, The Big Issue's figures show over 900 positive outcomes for vendors were achieved in 2017, including rehousing, accessing health and addiction treatment services, education, employment, and financial support, and personal sales goals.

As this business model is easily replicable to other countries, the magazine is also produced in eight more countries – Australia, Ireland, South Korea, South Africa, Japan, Namibia, Kenya, Malawi and Taiwan.

While the Big Issue is an example of a successful social enterprise which pursues a double bottom line, a US private certification – “B-corporation” provides social enterprise standards, focusing more on how an organisation can integrate ethical standards of transparency, accountability, and performance into management.

B-CORPORATION: BEN AND JERRY'S

A B-corporation is a private certification awarded to for-profit or non-profit organisations which meet the minimum standards of four impact areas – 1) Governance; 2) Workers; 3) Community; and 4) Environment. A B-corporation encourages companies “not just to be the best in the world, but to be the best for the world”, as the certification assessment tool provides a clear guideline on how social and environment objectives can be embedded in the management and business activities.

This movement has been very successful across the world – in 2018, there are 2,544 certified B-corporations in more than 50 countries and one of the most successful examples of B-corporations is a global ice cream company, Ben and Jerry's. According to the mission statement of Ben and Jerry's, they have product, economic, and social missions.

Their product and economic missions aim at achieving sustainable financial growth by producing and selling high-quality ice cream, implying that Ben and Jerry's pursues economic profitability. At the same



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time, they pursue positive ethical and social values by using locally sourced dairy, cage free eggs, and fair-trade products as well as by providing various supplemental benefits for the welfare of workers and monitoring the pollution levels of their factories.

YES, WE CAN

To conclude, from the examples of social enterprise and B-corporation, it is clear that ethicality and profitability in business can be achieved at the same time and that they are not mutually exclusive.

Unlike conventional corporations, social enterprises and B-corps incorporate ethical and social standards into their governance and economic activities in order to achieve their social objectives. This form of governance motivates their employees as they can receive better health, social and educational supports, as well as opportunities to be a shareholder of their company.

Moreover, an ethical company can acquire a positive public image which can also motivate their employees. Some would argue that providing greater financial benefits can motivate employees more. However, research also shows that people tend to perceive a firm's image negatively, even when a profit-seeking firm creates positive social values aside from economic values.



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There are many successful cases achieving both ethicality and profitability in business, by drawing on the concept of 'Blended Value Proposition'.

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Jieun Ryu

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WHY ANTI-GLOBALISATION IS NOT THE SOLUTION



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Prof. Estefania Santacreu-Vasut has recently published a book with co-author **Tom Gamble** entitled ***The Nature of Goods and The Goods of Nature*** as a counter-argument to the growing extremes of anti-globalisation shaping our times. What does it hope to achieve – and how?

From an interview with Estefania Santacreu-Vasut, Professor of economics at ESSEC Business School, by CoBS Student Editorialists, Kunal Ganorkar and Afifeh Fakori.

SIMPLY PUT, the book is a journey. Through the book the readers go on a journey where they revisit their existing notions of the economy, politics and everyday life from a different perspective. 'It's about how closing our bor-

ders is not the solution to the myriad global challenges looming over the environment, politics and society,' states Estefania Santacreu-Vasut. 'With a clear understanding of the nature of goods, I believe we can have better tools to de-

vised solutions that involve cooperation between countries.'

The book uses a storytelling approach, combining fiction and hard facts to make economic concepts more human.

'We combined reason, empirical data and positive emotions from stories and examples to underline that anti-globalisation is not a solution to today's problems,' states Santacreu-Vasut. 'As a matter of fact, the book was conceived one year back when having coffee with my dear colleague Tom Gamble and discussing some articles on the issue of migration which we had recently co-authored. It was right after the US Presidential elections, at a time when a very strong current of anti-globalisation was just starting to emerge. One thing led to another, and the idea of writing a book popped up! We thought, let's try to write something for the general public that talks about economic concepts in a clear and approachable way. I would also say that the anti-migration reaction served as a big trigger.'



The number of people coming into Europe today is not that large, and yet it is very mediatised. So we wanted to articulate part of it with ideas related to identity. In several places, the book talks about how our identities are multiple and why we should keep it that way – it's not uni-dimensional: it's not us versus them or domestic versus foreign. Other events around the world, such as tightening visa conditions for instance, were also in the news at that time, and they were all in the background when we decided to write the book.

EMPOWERING THE READER, COPING WITH CHANGE

'The overarching goal of this book is to empower the reader,' says Estefania Santacreu-Vasut. 'The reader implicitly knows a lot of the economic concepts already, but we wanted to connect the dots and bring the concepts alive through the exchange between the characters and their everyday lives. We aimed to alter some of the perceptions currently being nurtured about globalisation, without imposing our way of thinking on the readers. But enabling them to take a step back and see a clearer point of view supported by data and empirical studies. This book has an objective and soft voice which tells the tale of the positive aspects

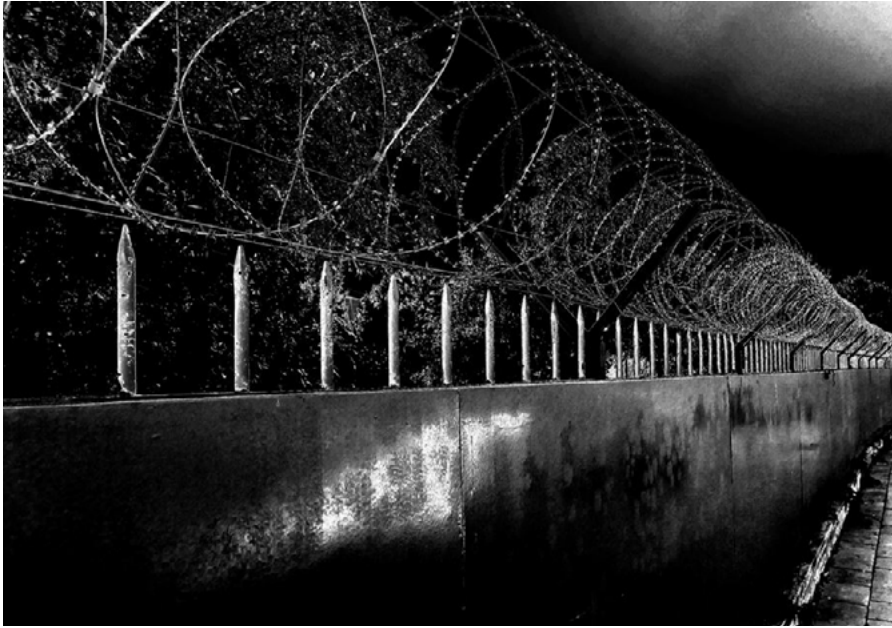
of globalisation. Globalisation, like any change really, often stirs up fear. With this book, we want to address people's sense of courage and reassure them. The book also has a couple of themes on history and the connection of history with the present and the future. Extreme thoughts and actions we may witness today pose a risk that history may repeat itself. Everywhere people's negative emotions are fuelled – we're afraid of regressing into recession, depression, high unemployment, border disputes and refugee crises. With this book, we want to raise the awareness that many of the problems re-emerging today could be alleviated with more cooperation, and the benefits would then ripple across time for posterity.'

UNDERSTANDING GLOBALISATION AND PEOPLE'S DECISIONS THROUGH THE NATURE OF GOODS

'In this book, we bring to the readers, the role of externalities and side effects of certain choices, all relating to the nature of goods,' states prof. Santacreu-Vasut. 'Ideas and pollution – both goods in their own right – do have side effects, whether positive or negative, and these effects do not acknowledge borders or national frontiers. As such, we argue that we need

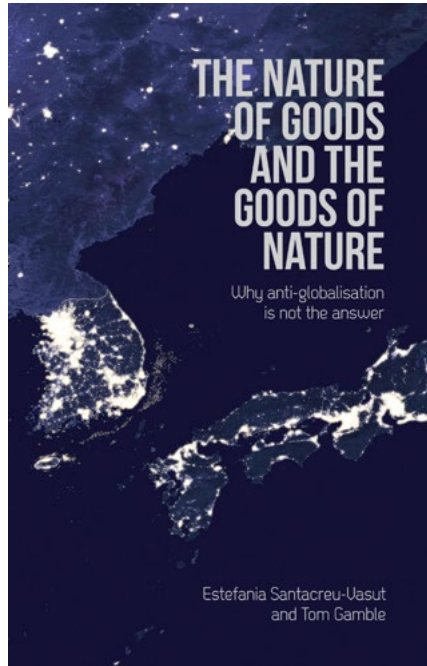
global solutions in addition to local solutions to approach globalisation. Another aspect, which is from a theoretical perspective is that we bring a lot of historical evidence and research showing how today exchanges between people and countries and corporations across borders are actually not only resulting from current abilities and preferences but are determined largely by history. Who we are today and how we deal with problems today, largely reflect what we have been doing in the past as societies. So if we close our borders today, it's not only going to decrease knowledge flow and empathy towards others but also decrease our own cognitive and emotional development.'

“ If we close our borders today, it's not only going to decrease knowledge flow and empathy towards others but also decrease our own cognitive and emotional development. ”



OF CLOSED BORDERS AND OPEN MINDS

'The impact of closing borders can be explained at different levels. For instance, at the individual level, if you talk less with people across borders you are going to learn less about other cultures and people, and that would have an impact on your outlook and perceptions. At a societal level, if you trade less with other countries, it will hamper knowledge sharing and affect technological and economic growth. And in terms of economics, it is going to impact the demands and preferences for goods – preferences that have been shaped over time.' Through the book, I would firstly hope that the discussion on the topic of migrants is revisited and that policies around the world are revised,' sates Santacreu-Vasut. 'People should understand that the pie, in terms of the economy, is not fixed and that with the influx of new populations with their new perspectives, it can grow! Secondly, I hope that through the book the reader is able to develop a multi-dimensional identity, to look beyond just a local, regional or national identity, and make educated decisions through a better outlook on things. And finally, I'd like to believe it is a book of peace – ideally, it would reduce the tendency for 'extremism' that has manifested itself around the world.'



The Goods of Nature and the Nature of Goods: Why anti-globalisation is not the answer was published on December 1st, 2018 by Imprint Academic, UK.



**Estefania
Santacreu-Vasut**



Tom Gamble

A conceptual image featuring a man in a dark business suit riding an elephant. The elephant is depicted in a dynamic, almost running pose, set against a bright blue sky with scattered white clouds. A semi-transparent blue diagonal band runs across the middle of the image, serving as a background for the title text. The bottom of the image shows a wooden plank floor.

MANAGEMENT & LEADERSHIP

CAN ENGLISH LANGUAGE PROFICIENCY FOSTER EMPLOYEE COMMITMENT TO GLOBALISATION?



Dr. Sachiko Yamao, Assistant Professor at **Keio Business School**, and **Prof. Tomoki Sekiguchi** of **Kyoto University** explore the extent to which a strong grasp of English can influence employee commitment towards embracing the globalisation of their firms.

By CoBS editorialist Afifeh Fakori based on the research paper Employee commitment to corporate globalization: The role of English language proficiency and human resource practices, Sachiko Yamao, Tomoki Sekiguchi.

LET'S GET THIS STRAIGHT: GLOBALISATION CAN BE STRESSFUL FOR EMPLOYEES.

AM I GOING to meet my targets? Are costs going up? Will I get that pay rise? Indeed, there's no paucity of stress in daily corporate life. Now imagine your company decides to expand beyond national borders where your native lan-

guage skills will no longer suffice. English is the de facto language for global business and lack of proficiency in this language can be a significant, new cause of stress for employees. Poor English language skills can hinder interpersonal

communication and relationships within an organization, while the resulting frustration adversely affects collaboration and task performance within the firm.

Attitude towards globalisation is thus often influenced by non-native English speakers' perceptions of their English-language proficiency. However, it is imperative to remember that regardless of this self-perceived language proficiency, the organization in question can also play a role in aligning commitment towards globalisation through HR practices promoting the development of language skills.

This commitment can have 3 components:

- a) **Affective Commitment:** This relates to the employees' desire to engage with the change (which in this case is globalisation) taking place within the firm
- b) **Normative Commitment:** This is associated with the employees' sense of obligation to commit to organizational change
- c) **Continuance Commitment:** This pertains to employees' calculative attitude based on a cost-benefit analysis which they do to decide whether or not they should comply with the change.

SELF-PERCEPTION OF LANGUAGE SKILLS INFLUENCES DEGREE OF COMMITMENT

When employees believe that they are adequately fluent in English, they have the confidence to cope with the multilingual work environment that accompanies the globalisation of their firm. They are less anxious about communication at work and thus more likely to be motivated to embrace working in a global setting. This is an instance of affective commitment.

In fact, this commitment can go one step further with some employees believing that not only can they contribute to globalisation but also that they



should contribute. Employees who are great in English often begin to develop their identities as 'international employees' capable of engaging in international transactions. With this identity, comes a strong sense of responsibility and obligation – that is, a normative commitment – towards contributing to globalisation.

Then there is also the fact that most people, consciously or unconsciously, engage in a cost-benefit analysis of not committing to corporate globalisation. The decision not to commit could lead to slower career progression, smaller increments and limited career options. In order to avoid such costs, employees with high levels of self-perceived English language proficiency often tend to develop a continuance commitment to align themselves to a multilingual work environment. However, this commitment is not particularly strong because English language skills are easily transferable. As such, employees may not really feel that their jobs are threatened even if non-committed to the globalisation of their firm – after all, all they have to do is switch firms.

HR PRACTICES ALSO IMPACT EMPLOYEE ATTITUDE

Many firms offer language and cross-cultural training to their employees as a means to facilitate the process of globalisation. Such organizational support

motivates employees and gives rise to a positive social exchange relationship between a firm and its employees. They also feel an obligation to reciprocate the support that they receive from their organization.

Some organizations go so far as to link language skills to performance appraisals. Fluency in English could also be set forth as a criterion for promotion. Under such a carrot and stick approach, employees tend to be eager to develop their language skills and contribute to the firm's globalisation as the cost of not doing so would entail a stunted career progression. The ultimate result is that employees are more likely to put in efforts to help their firms throughout the globalisation process. This is particularly true for employees with low levels of self-perceived proficiency in English. These employees are often aware that they lack a resource of much instrumental and symbolic value – the ability to communicate well in English. As a result, they appreciate HR support towards attaining this resource more than the other employees. They are more responsive to HR practices and eventually exhibit stronger commitment to the globalisation of their organization.

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In the specific case of globalisation, a self-perceived level of English language proficiency is important towards shaping positive attitudes of employees towards globalisation.

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THE JAPANESE CONTEXT

Japanese companies serve as interesting examples of globalisation. They are diversifying operations across borders rapidly and even firms which have had multinational operations for quite some time now are revamping their strategies. Fast Retailing, Nissan and Rakuten have moved towards using English as the official corporate language while Toyota is sending more and more local employees on expatriation for career development.

Carrying out research among 693 Japanese employees, Dr. Yamao and Prof. Sekiguchi found that self-perceived English language proficiency and relevant HR practices indeed enhance affective and normative commitment to globalisation. However, it was observed that a cost-benefit analysis of not complying to globalisation was not a key driver of commitment in Japan. This can be attributed to the very specific style of HR management in Japan – a style that is characterised by long term employment. Since firing employees in Japan is difficult, losing one's job due to low commitment to globalisation is not a particularly probable scenario.

SO, WHAT DOES THIS IMPLY FOR MANAGERS?

Regardless of the type of organisational change (globalisation or otherwise), it is of paramount importance to identify the employee skills critical for a given organisational change – if not, managers remain unaware of how to nurture positive employee attitude towards it – and HR unable to implement practices necessary for acquiring the relevant skill.

In the specific case of globalisation, it has been observed that self-perceived level of English language proficiency is important towards shaping positive attitudes of employees towards globalisation. HR can reinforce this commitment through language training and by linking English fluency levels to recruitment and promotion. One word of caution though: such practices should be applied to all functions within the firm and across all levels – if not, conflict and power distance will result. In the case of limited resources, however, the focus should first be on employees with low levels of English language proficiency since it would be more effective for and appreciated by this group of employees. These efforts are long term investments that will eventually help an organisation to move smoothly from local to global.



Sachiko Yamao



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



WHY BUSINESS LEADERS NEED A MORAL COMPASS



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 Initiative 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.

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



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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 trans-

sactions 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.



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

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.

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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WHAT SEALS THE IDEAL I-DEAL?



An old-fashioned sit-down with the boss does not necessarily secure that marvellous pay package you just negotiated. **Prof. Karoline Strauss** of **ESSEC Business School** and her co-authors Yasin Rofcanin and Tina Kiefer, explore the grey area between negotiating the i-deal – and actually securing it.

By CoBS editorialist Kunal Ganorkar based on the paper What seals the I-deal? Exploring the role of employees' behaviors and managers' emotions by Yasin Rofcanin, Tina Kiefer and Karoline Strauss.

THE 'I-DEAL' JOB

LABOUR MARKET dynamics, rising competition and change in employee work preferences have all rendered organisations' one-size-fits-all approach to

Human Resource Management less effective. This has led to a decline in standardised agreements for employees and paved the way for them to take charge of their own careers. One way of doing so is through the negotiation

of idiosyncratic deals, or i-deals.

I-deals are defined as individually negotiated agreements between a subordinate and a manager. These deals extend benefits such as skill and capability de-

velopment opportunities, flexible location, flexible schedule, and financial package deals to their recipients. For organisations, i-deals are useful mechanisms to improve employee performance and used as individualised HRM practices to enhance employee proficiency and maintain motivation.

Even if negotiated between a manager and a team member, i-deals are beneficial for the entire team. Indeed, studies have shown that employees who successfully negotiate an i-deal experience greater emotional attachment to the organisation and job satisfaction, and are more willing to go the extra mile, such as by helping out their colleagues. However, research so far has predominantly ignored the possibility that these negotiated i-deals may not always be obtained. This brings us to the question: what seals the i-deal?

To answer this question, Professor Strauss and her colleagues conducted research among more than one hundred full-time working EMBA students and their managers in Istanbul, Turkey. Both EMBA students and managers responded to 2 surveys each, 6 months apart.

THE BOSS HAS THE FINAL WORD – AND EMOTION



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The researchers identified that managers' emotions are an important factor that determines whether employees were able to obtain the i-deal they had negotiated. If, for instance, a manager experiences positive emotions (e.g., joy, enthusiasm) towards the entire 'process', chances for fulfilment of the i-deal increase. At the same time, if a manager harbours negative sentiments (e.g. anger, disappointment) towards it, the employee would probably have to relinquish his or her perks. What's more, in some cases the manager might avoid revising the deal just to save time and energy.

SO WHAT SEALS THE I-DEAL?

Prof. Strauss and the research team observed that a manager's emotions towards the i-deal negotiation process are influenced by the employee's behaviour. When employees showed concern for their co-workers, socializing with them and helping them, managers' experienced more positive emotions about the employees' ideal negotiation process. In contrast, when employees withdrew from their co-workers, managers were more likely to experience negative emotions about the i-deal process. In a nutshell, a smile and positive attitude tip the balance. As such, in the aftermath of the negotiation managers will be keen to observe how the employee makes use of the i-deal, ultimately influencing the manager's outlook towards the whole process and deciding the fate of the i-deal there on.

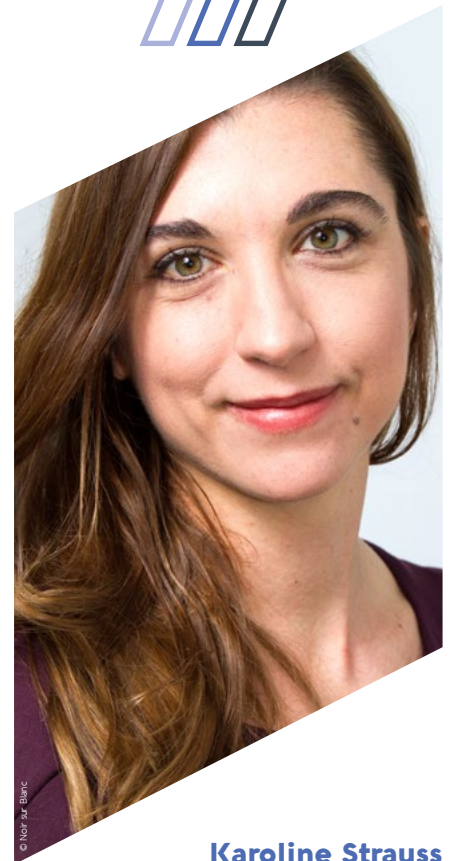
For the employee, it is clear: to get what you want, listen to your manager's needs – be nice, be enthusiastic, and negotiate with your team and co-workers' benefit in mind as well as your own.

Today, i-deals are used as HRM tools to attract and retain talented employees.



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For Prof. Strauss and her research colleagues, if organisations and managers aim to use i-deals as a strategic tool, they need to be transparent about its use. This means coaching, mentoring and informing employees that the deals are intended to benefit not only the individual but also the wider team.



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Karoline Strauss

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ONCE A FRAUD, ALWAYS A FRAUD?



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Ever wonder how Corporates get into the habit of malpractice? Researchers **Qinqin Zheng** of **School of Management Fudan** University and Rosa Chun trace the origin of the issue as they delve deep into what pushes some companies into the practice of misconduct in emerging economies

By CoBS editorialist Kunal Ganorkar based on the research paper 'Corporate Recidivism in emerging economies' by Qinqin Zheng and Rosa Chun

WE HAVE ALL heard of Volkswagen being caught cheating on emission tests and being fined billions of dollars. Or about Wells Fargo being fined for hosting millions of fake accounts. Num-

erous are the companies that have indulged in unethical or illegal behaviour to pursue financial gains. Thankfully, we have regulatory bodies to keep them in check through hefty fines. However,

some companies just never learn and repeat these malpractices time and again. This is where recidivism comes into play.

As such, corporate recidivism is seen in a much darker light than an isolated incidence of misconduct. Not only does it harm the offending company's reputation but it also has a negative impact on those around it and society at large. Needless to say, it also attracts the heaviest of fines.

Despite this, we still observe companies engaging in recidivism. This is especially so in the context of an emerging economy such as China. This begs the question – why is it so prominent in developing economies and what causes companies to engage in it? Prof Qinqin Zheng of School of Management Fudan University and her colleague Rosa Chun have identified, through their research in over a thousand companies, three main factors.

BECAUSE THAT'S HOW WE DO IT HERE

The first of these is something that Prof Zheng calls Internal Preconditioning. This refers to the traditions, habits and the way of doing things that, in a way, influence a company's behaviour. Major preconditions can include internal factors such as financial disposition, corporate culture and leadership. In addition, because companies' future actions or decisions rely on what path they took in the past, it is difficult to change these practices once they manifest. As such, firms continue to walk the road of malpractice, thus engaging in recidivism.

In the context of emerging countries, financial gain is seen as priority. So, when companies encounter financial difficulties, this stressful preconditioning motivates them to prioritize financial responsibility over other objectives such as environmental concern and ethics. This means that firms are more likely to resort to corporate malpractice which may eventually translate into recidivism.

TO GO WITH THE FLOW

The future has always been undetermined for anyone and almost every decision is made under imperfect knowledge, be it an individual or a company level. As such, in order to cope with uncertainty and to avoid stakeholder pressures, companies show a tendency to follow recognised practices and managerial approaches of other companies – what Prof Zheng calls Inter-Organisational Imitation. By observing other companies' similar recidivism, it is easier to obtain approval for their own processes and this leads to repeated malpractice. It is especially the case that in developing countries, collectivism, or group culture, is so influential that companies are constantly impelled to conform to the common behaviours of their peer group.

FIRST IMPRESSION IS THE LAST IMPRESSION

The third factor is what researchers call Prevailing External Evaluations – or to put it simply, an outsider's perception of the company. This puts a constraint on the way that companies can behave and is instrumental in shaping its behaviour. In order to enhance their social or economic health, companies sometimes accommodate relevant expectations, especially when these stakeholder expectations are deeply ingrained and widely observed.

In some emerging economies, companies conduct business in an environment which lends less emphasis to morals, which means that society, in general, is more prone to resort to immoral means to attain something. This provides an excellent backdrop for the growth of unethical pressures associated with the market arrangement of companies. In such a scenario, social status and respect depend mainly on financial performance rather than moral responsibility, implying that people are more tolerant and accepting towards immoral behaviours. Under this kind of external expectation, companies grow used to this low moral perception and lack motivation for improving their conduct and, as a result, such

companies tend to rationalise their misconduct and continue to follow the unethical path, leading to recidivism.

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Globalisation has created a level playing field among companies and facilitated the implementation of responsible business practices in emerging economies.

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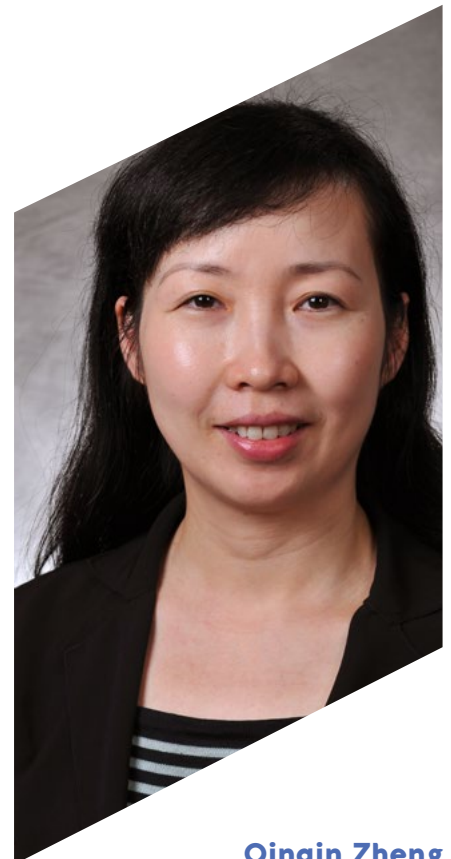
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WHAT CAN WE DO ABOUT IT?

- To step out of the shadow towards the light, company managers need to refrain from early instances of misconduct: for misconduct on their part is likely to lead to their company subsequently indulging in recidivism.
- By instilling ethical training programmes and oversight committees, companies can reduce the risk of recidivism that is caused by preconditioning. Another solution is to regularly conduct ethics and compliance audits through external agencies. Managers also need to actively monitor internal and external conditions to prevent the company from falling into the path dependency trap.
- To avoid the negative impact of inter-organisational imitation, it is crucial for companies to work together and establish an ethical norm amongst themselves at the industry and regional level.

- There is a substantial trend of accelerated institutional change and intensified regulatory enforcement in emerging economies. Managers should be aware that the scenario is changing from when stakeholders were tolerant of recidivism and that companies need to embrace more advanced ethical standards to thrive. Furthermore, policy-makers can play a part in effectively alleviating corporate recidivism.

Today, governments in many emerging economies have taken action to develop positive institutions and have also incorporated the notion of CSR into their regulations. Additionally, the emergence of globalisation has created a level playing field among companies and as a result facilitated the implementation of responsible business practices in emerging economies. The stage is set, the dice have been thrown. Are managers ready for what lies ahead?



Qinqin Zheng

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SHOULD CSR PRACTICES BE REDEFINED TO INCLUDE FISCAL RESPONSIBILITY?



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Adrian Zicari, Prof. of Accounting and Management Control and Director of **CEMAS** at **ESSEC Business School**, and **Cécile Renouard**, Director of the 'Companies and Development' (CODEV) research programme at the **ESSEC IRENE institute**, explore the emerging, yet elusive, concept of fiscal responsibility and explain how it could be articulated into the wider realm of CSR.

By CoBS editorialist Afifeh Fakori from the paper A FORGOTTEN ISSUE: FISCAL RESPONSIBILITY IN THE CSR DEBATE by Adrian Zicari and Cécile Renouard.

"CORPORATE SOCIAL RESPONSIBILITY" or CSR is undoubtedly one of the most trending catchphrases of today. And what idea does this term conjure up

for us? Philanthropy. Sustainability. Perhaps a greener planet. But we can bet that only a select few would associate it with corporate tax practices. Yet, the emerging

concept of "Fiscal Responsibility" is one that may need to be articulated into the wider realm of CSR today in light of the current practices in the corporate world.



WHAT BRINGS FISCAL RESPONSIBILITY INTO THE LIMELIGHT?

Simply put, globalisation pushes the notion of Fiscal Responsibility (FR) to the surface of debatable social issues today. Globalisation has enabled companies to manufacture products in one country using raw materials sourced from one or more different countries in order to serve customers all around the globe. This is all good news for consumers. But as companies start to spread their value chain across multiple countries, the ambiguities surrounding tax calculation become more pronounced. It is difficult to identify which part of the value chain, and the respective taxes, corresponds to which participating country. Information asymmetry arises as tax authorities are only aware of dealings within national boundaries, and not across. Some firms, unfortunately, take advantage of the ensuing ambiguity and engage in abusive practices. They create different legal entities in different countries and assign the largest possible part of created value to the lower tax rate jurisdictions. Companies also get the opportunity to manipulate their transfer prices within the corporation in order to reduce their tax burden. Needless to say, this translates into bleak consequences for the economy and society of many of the countries where they operate. The growing shift towards a knowledge economy is exacerbating this situation as the prices of intangible assets can be manipulated all the more easily.

TAX MITIGATION VS TAX EVASION: A TREACHEROUS CONTINUUM

As surprising as it may appear, there is nothing explicitly fair or unfair in the eyes of fiscal law when it comes to corporate taxation. This gives companies the opportunity to engage in activities which range from being mere tax mitigation moves to outright violation of the law. So, while adopting accelerated depreciation methods can be classified as “tax mitigation,” contriving an imaginary transaction to minimise taxes might be a case of “tax evasion.” In the continuum between mitigation and evasion, exists the grey area of “avoidance.” The spirit of fiscal law is often violated in this space and yet fiscal authorities are powerless to act as the companies have abided by the law in its literal sense.

WHO STANDS TO LOSE FROM TAX AVOIDANCE?

For a moment, let's go back to basics and ask ourselves what the prime objective for a firm's existence is? Some would say the objective is to “maximise shareholder value.” This view is widely known as the “legal fiction” perspective and it encourages firms to pursue aggressive tax avoidance as long as they adhere to the so-called “rules of the game.” But in doing so, some companies might also be defrauding shareholders as well. Tax avoidance practices tarnish a company's reputation in the eyes of its investors, who begin to doubt whether profits really correspond to real value creation. In the end, such short-term focus on share value maximization comes with the risk of lower shareholder value in the long run.



Another group of people subscribe to the “real entity” perspective on companies. They contend that the firm is a legal person whose objectives correspond to the needs of several stakeholders, which includes the State. Thus the firm should consider the needs of stakeholders (including the State), instead of only focusing on shareholders. These shareholders, while necessary, are merely a source of financing, not the “owners” of the firm. Tax avoidance would then deprive the State of the fiscal revenues it legitimately needs and consequently, citizens can end being deprived of social services, such as healthcare. But it is not only the State and citizens who lose. The company stands to lose government contract and it might have to bear the brunt of stricter regulations enforced by the negatively impacted State.

HOW DOES FISCAL RESPONSIBILITY FIT INTO THE DOMAIN OF CSR?

Most companies behave in socially responsible ways because they want to and not because they have to – it is a voluntary choice they make. Similarly, they also have the freedom to adopt or forego tax avoidance practices, while still adhering to legal boundaries. In this sense, a parallel can be drawn between CSR and FR (Fiscal Responsibility).

There are also a number of other ways to articulate FR into CSR:

- a) CSR and FR both work towards maximisation of long-term shareholder value and goodwill, and reduction of business risk.
- b) Large corporations have a great deal of responsibility towards their communities. Both CSR and FR help these corporations meet this responsibility, be it directly or indirectly.
- c) A company depends on its stakeholders for survival. As a result, it should have a high level of responsiveness towards stakeholder demands. CSR initiatives attain this responsiveness by contributing to the greater good of society while FR does so through transparent tax practices which facilitate informed dialogues between the company and its stakeholders.



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Some people argue that corporate philanthropy can replace tax contribution. This is a flawed argument since philanthropy allows managers to spend money at their own discretion – and possibly in ways that are not optimal for society. In many countries, governments have a system of checks and balances that allow them to address social issues that are in greater need of immediate attention.

Grey areas in fiscal laws provide companies with loopholes to avoid taxes. International cooperation and disambiguation of fiscal laws may be the need of the hour under such circumstances. But, while we wait for that to happen, it is important to revamp the existing CSR reporting practice to incorporate details on how companies address their tax obligations. It's time we question our collective consciousness whether or not we can call a company ‘socially responsible’ if it is involved in ambiguous tax avoidance practices.



Cécile Renouard



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Adrian Zicari

TIMES HAVE CHANGED



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 substantial 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.



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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 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.

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Responsive
speak-up
arrangements
build confidence
and encourage
more use
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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 ombudsman 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.

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.

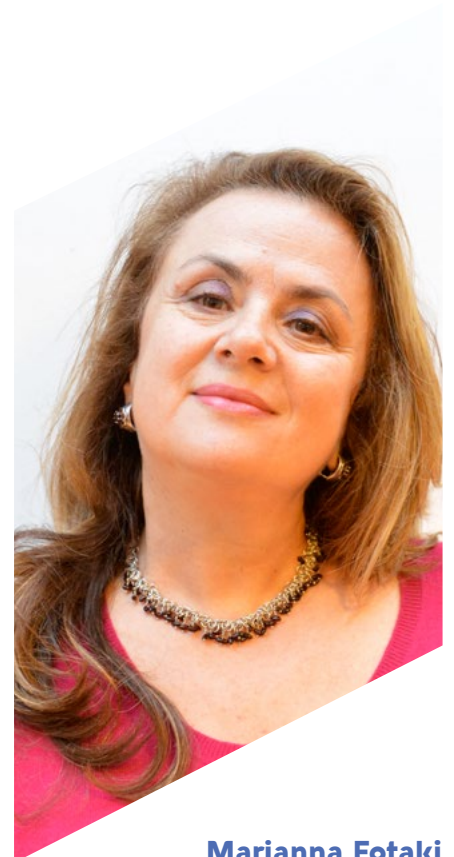
In the same way that business accepted the need for good CSR practices, we need leaders in the field to step forward as speak-up champions, to set and maintain standards, to evidence the evaluation and process of speaking-up. These leaders will publicise the benefits of effective speak-up arrangements. 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.



Marianna Fotaki

INNOVATION IN EDUCATION



PLANTING SEEDS OF HOPE



School of Management Fudan, China's leading business school, steps into helping primary and secondary education in the rural mountain region of Huoqiu with the 5th Young Activity Initiative.

Based on an original article by Ms. Sophie Yu at School of Management Fudan University. With kind acknowledgements.

SCHOOL OF MANAGEMENT

Fudan University holds an outstanding academic record in China and the wider Asia-Pacific region, educating its students to step into the country's business elite of tomorrow. With such a reputation it is hard to think that a

prestigious school should also be one of the foremost leaders in responsible leadership and business practices among its peers. But it is. Indeed, the school has long-since integrated the values of ploughing back the benefit of both education and business into

the wider community and the common good.

In recent years it has pioneered the Ai Social Value Creation initiative, a CSR case award in partnership with top Chinese consulting firm Guan Aitong,

where students analyse Chinese corporations' value creation and how they distribute this to wider society. Such is the success of the award that firms are now seeing an impact in their stock ratings depending on their performance in the case award. Yet another initiative aims not at the high end of the world of business, but at the humbler, grass-roots level of education in rural regions. Its impact, however, is just as worthy. This is the Young Activity Initiative, a twice-yearly, two-week event now in its fifth successive year.

In August of this year, School of Management Fudan launched the fifth Young Activity in Linhuaigang, a town nestling in the scenic hills and mountains of Huoqiu in eastern China. Calling for volunteers among its students, faculty and staff, more than 200 of them replied to participate – including 190 undergraduate students, 11 mentors, 7 administrators and 10 additional volunteers.

Since 2014, School of Management Fudan has succeeded in establishing 6 education practice bases in different primary and middle schools throughout Huoqiu, organising the Young Activity Initiative to provide voluntary teaching in these areas. Book Corners have also been a feature of the project, 5 of them having been set up the region's primary schools, with books collected from donators at the School of Management Fudan. This time, the volunteers also brought with them 70 desks and chairs,



as well as 60 school bags for local students and pupils. Organised into 15 groups, the 200 volunteers were sent to Linhuai Central School, Linhuai Junior High School, Daxing Primary School, Shuangmen Primary School and Modian Primary School in the area. Each group had the responsibility to design a variety of courses based on the characteristics of the students with the aims of trying to cultivate their interests in learning, expand their knowledge and broaden their views. The School of Management Fudan volunteers also brought their expertise to the local teaching staff with a number of train-the-trainer workshops.

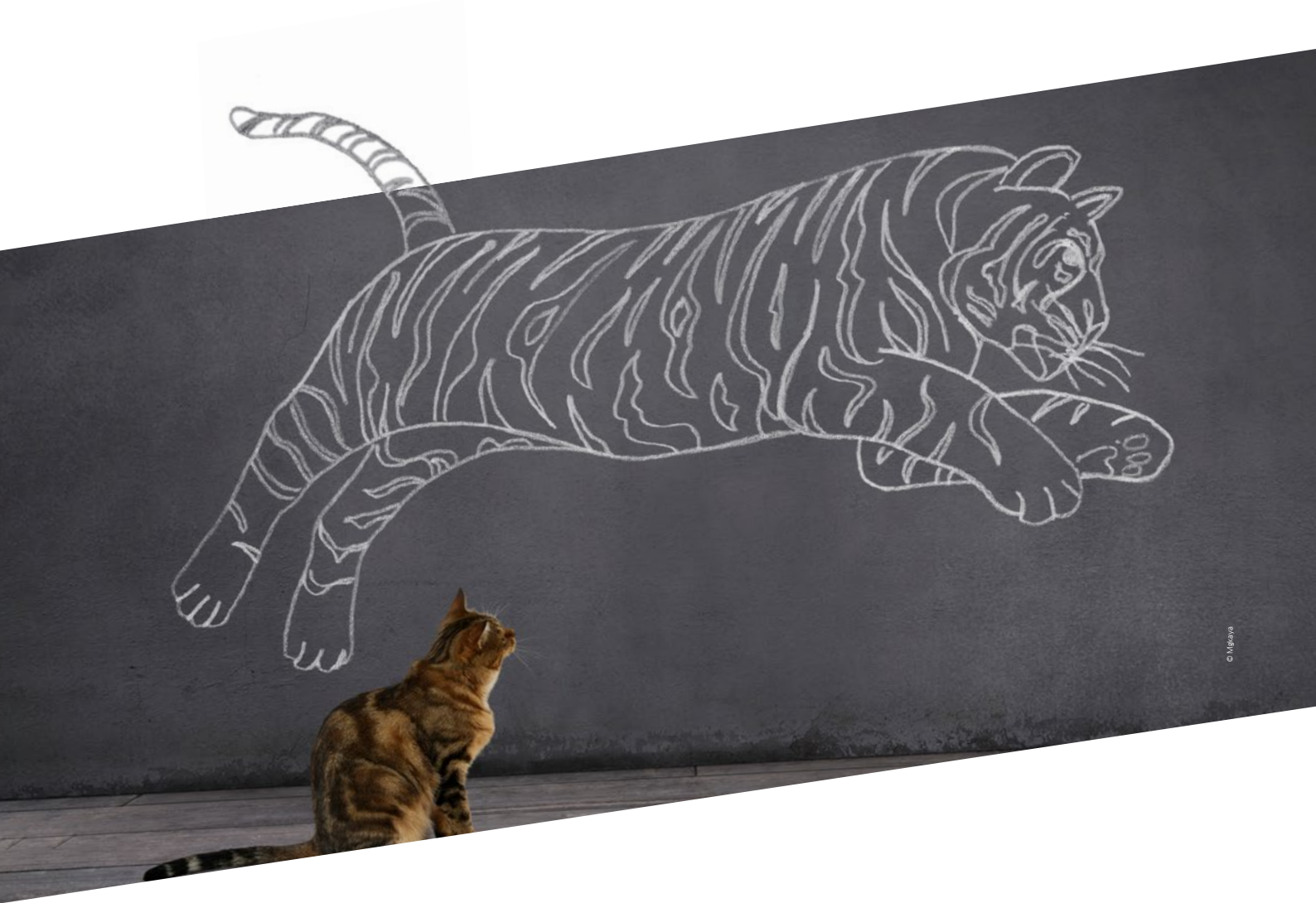
The Young Activity Initiative is an ongoing project that becomes more organised and enhanced as time passes. 'Behind the project and its activities is the overriding aspiration to plant the seeds of hope in children's hearts, and strengthen their courage and confidence to challenge the future,' says **Prof. LV Changjiang**, Vice-Dean of School of Management, Fudan University. 'The activity shall be passed down from generation to generation among School of Management Fudan students, bringing enthusiasm and hope to the children in the DaBie mountain area.'

“ Plant the seeds of hope in children's hearts, and strengthen their courage and confidence to challenge the future. ”



LV Changjiang

WALKING ON THE WILD SIDE



Yann Kerninon, Head of the Field Experience at **ESSEC Career Services Business School**, shares the story of an innovative student learning experience working at grass-roots level and for the common good.

YOU CANNOT FAIL to miss Yann Kerninon in a crowd. Atypical, provocative, an intellectual, a rebel and yet a gentleman dandy who combines a certain sense of dress elegance that rings of Victorian England with a sharp modern mind and plenty of respectful charm. In fact, Yann Kerninon is the perfect fit for the innovative and singular initiative

he indeed heads up – the ESSEC Field Experience initiative that has recently celebrated its 11th anniversary.

Part of the bouquet of ESSEC Careers Services initiatives offered to students at the school, the Field Experience project began as a daring, groundbreaking idea back in 2007, thought up by one

of the institution's leading academics, Prof. Laurent Bibard. The idea? To immerse students from one of Europe's leading business schools – the large majority of whom had spent their teenage years studying hard to sit extremely selective entrance exams – in the harsh realities of the production line and volunteer work at the margins of

society. A world some of them had never experienced, nor hardly ever seen. A world in which they would one day find themselves working as managers and entrepreneurs, captains of industry – and perhaps even leaders of NGOs.

INNOVATION THAT OVERCAME RESISTANCE

As with any rule-changing ideas, the Field Experience initiative met with some initial resistance. However, persistence and patience won through.

After two years of convincing, persuading and showing the value of the initiative, it gained legitimacy under the initial responsibility of Hugues Derycke – who succeeded in setting up the first network of partners – to reach cruising speed with the onboarding of Prof. Junko Takagi, Director of the Leadership & Diversity Chair at ESSEC. The initiative was also opened to two large student populations at the school – the Global BBA, with students fresh from A-Levels, and the Grande Ecole where students generally come from the tough classes préparatoires system in France (students spend

two years after their A-Levels working toward entrance exams to specialized higher education establishments).

Today, the ESSEC Field Experience now gathers 800 students in all: 400 GBBA and 400 pre-Masters of the Grande Ecole in a mandatory 4-week internship with a social or common good dimension to it.

'It's a true physical, intellectual and emotional commitment,' states Yann Kerninon, Head of the initiative. 'No student is obliged to do anything he or she doesn't feel they can't do – but everyone must carry out an internship to the level of what they think they can do.' As such, internships either take place in factories and supermarkets – on the shopfloor – or in the social sector – in-the-field, or, as it often turns out, in the streets.

This means students having to roll up their sleeves and work as pure subordinates at the base of the hierarchical pyramid. Partner organisations, numbering 50 to date, include Emmaüs, an international solidarity movement working with the poor and with a goal



of social transformation; MacDonald's who, behind the glitzy marketing, have a solid CSR policy; Renault; the Secours Populaire, a French NGO dedicated to fighting poverty and discrimination and various associations catering for the mentally handicapped, those victim of drug addiction, and refugees.



A NEW GENERATION IS OUT THERE

'The idea behind all this,' asserts Kerninon, 'is to push students to take up a challenge. Here at ESSEC, and more specifically Career Services, we want them to work on their feelings and awareness. This means change, an eye-opening experience, and emotions. We want them to work on all the skills that aren't covered in traditional, theory-based studies.' Indeed, Yann Kerninon himself observes a change – in student profiles and expectations over the few last years. A new generation is out there – aware of today's social and environmental issues and challenges and who thirst for work with a meaning. 'This,' states Yann Kerninon, 'fits well with ESSEC's historical values of openness and innovation – and enables an initiative such as the Field Experience to find a valuable and legitimate place on the curriculum. The Field Experience invites students to push to the limit – but not to explore over the horizon!'

A VERY PERSONAL EXPERIENCE LINKED TO THOSE OF MANY OTHERS

The two different student populations have a slightly different internship framework. Global BBA students only have internships in the social field, with some 400 of them leaving campus between May and August. Some of them leave for the Rabat campus in Morocco, headed by Thierry Sibieude, Deputy Dean of ESSEC Africa and chair holder, Chair of Social Entrepreneurship. Others leave for the ESSEC Asia-Pacific campus in Singapore meaning that internships can sometimes be not only a challenging work experience but also a bi-lingual French/English one.

Learning input and feedback is provided by the initiative's pedagogical director, Prof. Junko Takagi, and each student is linked up with a facilitator before, during, and after the experience. Moreover, every student has to keep a diary/log book that they fill in each day of their internship. This they discuss with their facilitator in the strictest confidence.

A DOVETAIL INITIATIVE

For Yann Kerninon the Field Experience is a true professional experience that promotes diversity in all its senses – professionally, economically, culturally, and academically. 'A high point,' he asserts, 'was when students worked at the immigrant hostel in the so-called Jungle de Calais in northern France, where thousands of refugees and migrants, with a dream of reaching the UK for employment and a better life, lived under pitiless conditions in shanty towns in the coastal dunes.'

“
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The Field Experience also won the Pedagogical Innovation Prize at ESSEC in 2017 which marked the initiative's 10th anniversary. And warmly, students grant a 95% satisfaction rate with their experience, students learning a whole new set of skills that are complementary to their studies.

Every year, Kerninon brings together the various partners for a thank you lunch and after-experience discussion. A surprising and positive spin off from this has seen the Field Experience become a forum for encounter and dialogue between the partners, all of whom have a stake in the common good, but who otherwise would not have had the possibility to rub shoulders. This, in turn, leads to further partnerships such as the MacDonald's/ EPIDE agreement which sees the fast food chain committing itself to integrating youngsters from EPIDE – an organisation that caters for early school leavers that have lost their way and puts them back on the track with basic discipline, respect for themselves and others, a CV, and a career project.

2018 will see the regional Préfet (high state representative) Alain Régnier and the Head of the DiAIR (French inter-ministry refugee welcome and integration service) attend.



ADVENTURE IS THE KEY

When questioned on the future of the Field Experience, Yann Kerninon is upbeat. 'The ambition is to become a European-wide experience by building up a network in Europe, including the UK, and link it to the new socio-economic issues that are present or forthcoming.' These include eco-distribution chains right down to bicycle delivery, migrant flow or even uberisation. 'We'll continue to develop the Field Experience and improve it,' says Kerninon, 'hopefully spreading its impact to all student programmes at ESSEC and why not even the staff – perhaps technically difficult seeing that both are spread throughout the world: but feasible. We're also working hand-in-hand with the ESSEC Global BBA so that the Field Experience initiative gains world reach – helping the programme's students discover diversity and social reality via the School's campuses in Rabat, Morocco, and Singapore Asia-Pacific.' 'The Field Experience is above all an adventure,' states Yann Kerninon, going on to paraphrase Goethe. 'There are two ways to lose yourself – speaking only of yourself or only of the world. And adventure is a way of bringing the two together. With adventure there's a notion of experience, an encounter with risk and difference. And experience – which, etymologically, means stepping outside of the usual way and doing by trial and error – perfectly fits the initiative.' Becoming tomorrow's responsible leader is not a boring set of rules and obligations to abide by. It is a quest for awareness, the understanding of oneself and others, and the respect that comes from a field experience that sees you rolling up your sleeves and getting on with the slog – for a higher purpose and a common good.



Yann Kerninon

A WHOLE NEW BALL GAME



Scott Ward, Warwick Business School alumnus, talks about the end of his footballing career and how an MBA gave him a second life.

A TOUGH GAME

WHEN INJURY forced professional footballer Scott Ward to retire, he feared he had been consigned to the scrapheap. Worse still, Scott's career-ending injury coincided with former club Crawley Town spending six months in administration. That meant six months without being paid.

To make ends meet the former goalkeeper took a job as a binman. "I needed to earn money," says Scott, who started his career at Luton Town and had spells at Plymouth Argyle, Crawley Town and Coventry City. "I was working in the local area where I grew up and while my brothers were playing in the Premier League, so it was a difficult time."

Those difficult times lasted three years as Scott grappled with life after football, something he was totally unprepared for, having signed his first professional contract straight out of school at 16. "I was lost," says Scott "I didn't know what my objective was anymore. And yet I was still surrounded by football as my brothers Eliott and Darren were playing in the Premier league and at the top of the Championship – I felt I had nobody to talk to."



INSPIRATION

It was only on meeting his wife, Emily, and seeing how she was doing a Business Studies degree part-time while holding down a full-time job with no support that he realised education could help him transform his life. "She was my inspiration," says Scott. "I needed to do something, so I had a chat with my wife and I felt doing an MBA could be the answer. By then I had been able to work in sales and strategy development so I had some experience in business.

"The MBA was very hard at the beginning. I was in a room with people at the top of their game in major businesses, everything I had done was self-taught - so I felt out of my depth. But I was very lucky with the people in my cohort, who were very supportive. I met some great people like Chris Fenton, a managing director at logistics firm Wincanton and Rajiv Shah, a director at Sigma Pharmaceuticals."

Scott put his personal experience to

good use by devoting his MBA project and dissertation to researching the cultural impact of athletes' transition out of sport. It has led to a position at KPMG where he has designed and is now implementing a programme to give global athletes from all sports the support they need emotionally, mentally and practically to be prepared for a new life in the 'real world' or while they are still competing as part of a dual career.

“

I was lost when injury ended my football career. We need to teach athletes that their identity isn't defined by what they do on the pitch.

”

"I know how hard it can be, I had played football all my life and knew nothing else," says Scott. "Research shows the mourning period of an athlete can last for two to 10 years, so we need to take preventative action instead of being reactive and hoping an athlete will speak out in an industry where such vulnerability is frowned upon. There are the very few at the top who earn enough money to set themselves up for life. The majority need to find another career, another identity and that can be very hard with no support. A huge misconception is that money or academia alone will prevent the trauma of leaving sport. This is not true unfortunately as the mind needs developing to cope with the challenges you will not have faced before.

"The programme teaches self-development, or cognitive development as it is otherwise known, and this improves your ability to filter your thoughts under pressure, so learning and personal development makes you a better athlete. My body was broken after football. I had 10 to 15 serious injuries, with a back problem finally ending my playing days. When I retired I needed spinal implants, my hips needed reshaping and then after being on medication for three years I needed cardiac surgery for an irregular heartbeat. I faced multiple problems after retiring and I wanted to look at what we could do to help other athletes facing similar challenges as a preventative action.

"Sport is fantastic and I am very lucky to have been part of such a wonderful sport. All I want to do is enhance the fabulous work currently being done by those within the industry and take the personal development of athletes to a new level of understanding. I found a major underlying issue is about identity loss. My research also revealed that one of the largest contributors to athletes dropping out of sport is from parental or family pressure.



© Kenenhot

WHY ATHLETES NEED HELP WITH LIFE AFTER SPORT

"The money or acclaim in football and most sports is so vast now that for a lot of parents the stakes are huge. Golf has the biggest fall-out rate, 97 percent drop out by 25 - the average in all sports is 95 percent. Parents need educating on the formalities and risks of the industry and fundamentally to understand the challenges that not only their son or daughter will face but also the family as a whole."

Scott is now working with global sports associations on implementing the KPMG programme, which includes an online provision for athletes to log into and provides their own learning pathway, along with psychological support in developing a resilient mindset plus understanding finance and the skills to succeed in business. "By enhancing their mindset they are able to think with more clarity, which will help their sporting career as well as when they transition into a new career" says Scott. "By allowing them to understand their value as a person first, building their resilience and widening their understanding of the skills they have, we are trying to eliminate that cliff edge when they come out of sport."

"This programme will help them understand where they sit in society, and give them the help to get that reflection. This is a global challenge in sport and the reaction to such a progressive, flexible delivery method is represen-

tative of the amount of work and research undertaken in designing such a programme. It will allow athletes to explore themselves and their sporting career so they have transferable skills into business. They will have a CV that represents them as a person while also celebrating their sporting career. Their identity should not be controlled by what they do on the track or pitch." And that is one goal Scott is keeping as continues on his entrepreneurial journey.



Scott Ward

CoBS *reader comments*



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

Ashwin

These articles or blog posts are genuinely wonderful and I routinely move them on to my college students who're facing/struggling with exams and research 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 post's to be what precisely I'm looking for. I wouldn't mind publishing a post or elaborating on a lot of the subjects you write regarding here. Again, awesome blog!

Rudolphe H



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