COUNCIL on BUSINESS & SOCIETY
A GLOBAL ALLIANCE OF SCHOOLS OF MANAGEMENT

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FACULTY & STUDENT ISSUE

COBS 10 Years
An Alliance with a Purpose

An alliance with a purpose

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THE COUNCIL ON BUSINESS & SOCIETY

Recognising the enormous role business can and must play in helping solve large-scale, global issues facing the world, seven 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 SEVEN 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
- IE Business School, Spain
- Keio Business School, Japan
- Trinity Business School, Trinity College Dublin, Ireland
- Warwick Business School, United Kingdom

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

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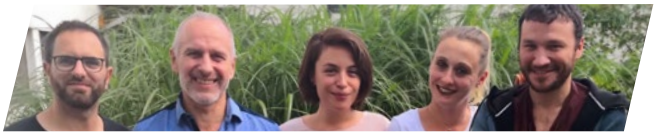

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DEAN AND PRESIDENT VINCENZO ESPOSITO VINZI,
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"AT ESSEC, WE BELIEVE THAT TRAINING STUDENTS AND PARTICIPANTS FOR RESPONSIBLE LEADERSHIP IS KEY FOR ANSWERING THE CHALLENGES OF A COMPLEX WORLD. TOGETHER WITH THE MEMBERS OF THE COUNCIL ON BUSINESS & SOCIETY, WE STRIVE TO PROMOTE RESPONSIBILITY SO AS TO IMPACT TODAY'S ECONOMY AND SOCIETY, AND SHAPE TOMORROW'S WORLD."

DEAN LUIZ ARTUR LEDUR BRITO,
FGV-EAESP, BRAZIL

"BEING RECOGNIZED WORLDWIDE AS A THINK-TANK, FGV-EAESP NOT ONLY PRODUCES ACADEMIC RESEARCH IN MANAGEMENT AND PUBLIC POLICY, BUT ALSO APPLIES RESEARCH VIA ITS CLOSE RELATION WITH THE CORPORATE WORLD. ITS PARTICIPATION IN THE COUNCIL ON BUSINESS & SOCIETY ENRICHES ITS GLOBAL VISION THROUGH THE MULTIPLE PERSPECTIVES GENERATED BY THE COUNCIL'S INITIATIVES."

DEAN AND PROFESSOR XIONGWEN LU,
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"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."

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"IE BUSINESS SCHOOL'S MISSION AND PURPOSE ARE BASED ON THE PILLARS OF ACADEMIC EXCELLENCE, INNOVATION AND ENTREPRENEURSHIP, TECHNOLOGY, SOCIAL RESPONSIBILITY AND INTERNATIONALISATION. AT IE WE FIRMLY BELIEVE IN THE POWER OF THE ENTREPRENEURIAL MINDSET TO CHANGE THE WORLD FOR THE BETTER. WE WILL KEEP ENCOURAGING STUDENTS THROUGH THE COBS INITIATIVES TO EXPLORE SOCIAL INNOVATION AND ENTREPRENEURIAL CHALLENGES WITH SPECIAL EMPHASIS ON UNCONVENTIONAL APPROACHES TO ENDURING SOCIAL PROBLEMS."

DEAN TAKURO YODA,
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"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 ANDREW BURKE,
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"WE ARE THE BUSINESS SCHOOL AT THE HEART OF A WORLD-RENOWNED RESEARCH-LED UNIVERSITY LOCATED AT THE CENTRE OF A EUROPEAN CAPITAL CITY AND A HUB FOR GLOBAL BUSINESS. OUR APPROACH TO EDUCATION ENCAPSULATES A PROJECT-BASED APPROACH WHERE IMPACT ON BOTH BUSINESS AND SOCIETY ARE KEY. WE ENCOURAGE OUR STUDENTS TO GRADUATE WITH A 'MORAL COMPASS' TO TAKE A STEP FURTHER IN ORDER TO EXCEL AT ETHICAL LEADERSHIP BEYOND THE REALM OF THE ORGANISATION."

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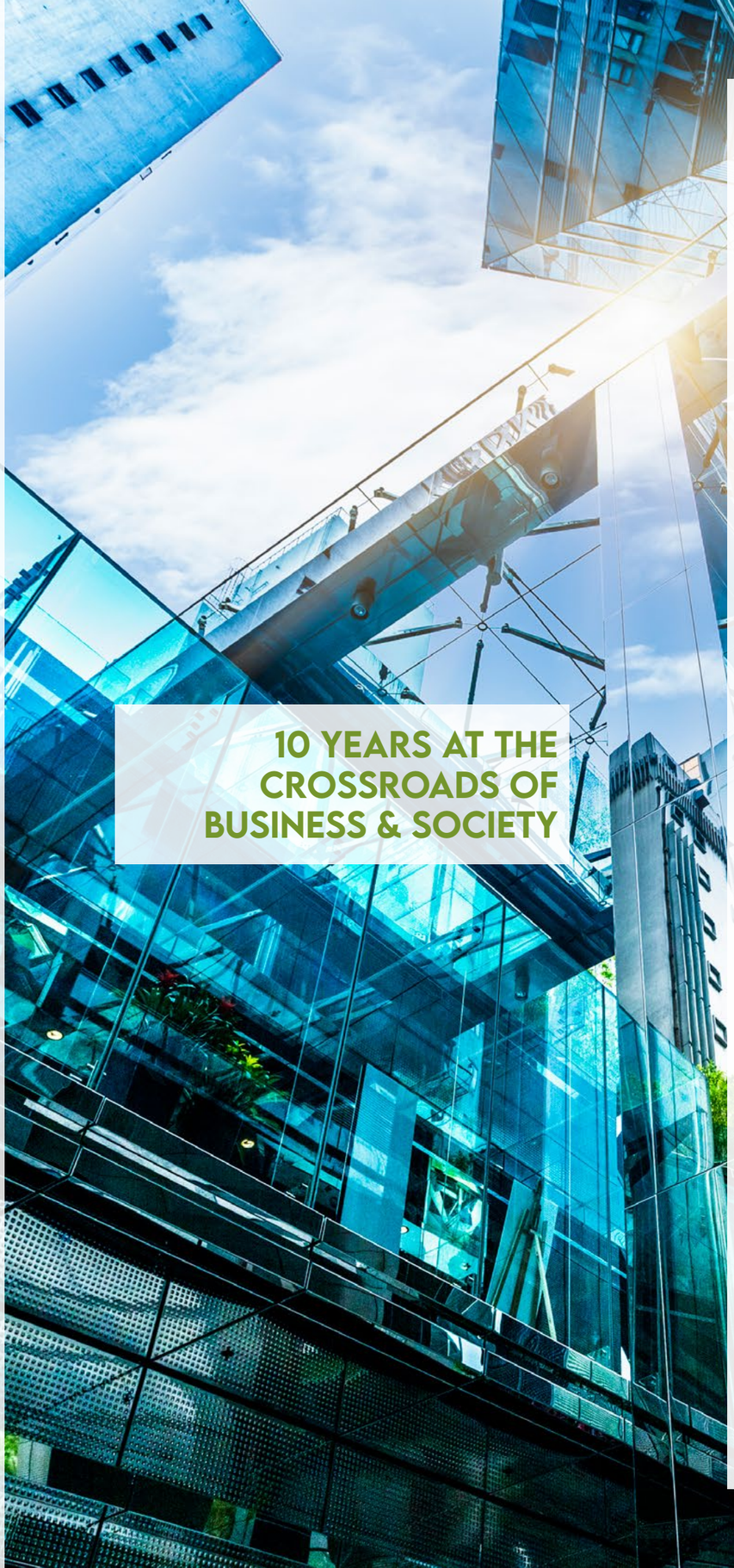
"AS A LEADING EUROPEAN BUSINESS SCHOOL AT A WORLD-CLASS UNIVERSITY, WARWICK BUSINESS SCHOOL IS COMMITTED TO DEVELOPING IDEAS AND PEOPLE THAT SHAPE HOW WE DO BUSINESS. WE BELIEVE IN THE POWER OF EDUCATION TO CREATE THE LEADERS THE WORLD NEEDS TO TACKLE SOCIETIES' GREAT CHALLENGES, SUCH AS GLOBAL WARMING, AGEING POPULATIONS AND INCREASING INEQUALITY."

CoBS

10 YEARS

An Alliance with a Purpose



10 YEARS AT THE CROSSROADS OF BUSINESS & SOCIETY

THE COUNCIL ON BUSINESS & SOCIETY CELEBRATES ITS 10TH ANNIVERSARY

The month of June 2021 marks the 10th anniversary of the Council on Business & Society (CoBS), which now counts seven member schools of business and management, all triple-crown accredited and leaders and educational pioneers in their respective countries.

As leading educational institutions in our respective countries, the member schools of the Council on Business & Society have a direct local and national impact on issues such as job and career prospects for our graduates and executive education, providing industry with talented individuals, offering engagement with and economic value to our local communities and giving knowledge and insight to policy-makers and governments at the highest level. Internationally, our alumni – some 231,000 among the seven member schools – work on every continent in leading corporations, government bodies, institutions and NGOs and, in many cases, have created employment and innovation through their entrepreneurial talent.

OUR MISSION, OUR PURPOSE

Society has new expectations on how business should be done. Managers and leaders have new aspirations with respect to the purpose of corporations and their impact on society and the planet. And students want to give meaning to their lives and careers.

The seven schools of the Council on Business & Society are convinced of the importance of business and management education in bringing research and culture for the economic and social development of their societies, countries and the world. We are also convinced of the need for a multi-cultural approach on global issues, practices and projects – and indeed we strive to lead in the areas of diversity and gender equality through which the future managers and leaders graduating from the schools will imprint their mark on their organisations and beyond.

Our philosophy and actions are based on our values of academic excellence, global perspective, innovation and entrepreneurial spirit, social responsibility and the common good. The Council on Business & Society and its member schools reach out to the world in a number of ways. Through top-ranked, full-time and executive education degree programmes integrating tracks and modules on responsible leadership and sustainable business practices. And through internationally recognised research at the crossroads of business and society.

In addition, the CoBS publishes weekly research-based thought leadership via CoBS Insights, a quarterly magazine Global Voice, downloadable books, online masterclasses and debates open to the wider public, and tracks and workshops in international research seminars for academics and researchers.

10 YEARS ON

Originally founded in 2011, the alliance's initial purpose was to promote the teaching of responsible leadership among its member schools and bring stakeholders from business, academia and society together to tackle the major issues facing the world at that time. These have included, in 2012 – Responsible leadership and governance, in 2014 – health and healthcare, and in 2015 – energy and the energy transition.

A number of CoBS colleagues have initiated discussions on how the network could deliver executive education aimed at senior leaders of organisations in the area of ethical leadership and climate action. These proposed executive education engagements would be aimed at making a substantive impact in facilitating transition to more sustainable operations and management across a wide range of industries and sectors.

Ten years on from 2011, we can justifiably consider that the alliance was visionary in its concept. Indeed, over the last three years there has been a very noticeable interest globally in the issues traditionally covered by the alliance. We have witnessed the creation of many establishments, centres and institutions – or indeed existing ones – taking on a CSR/sustainability dimension. In every case, the CoBS is happy to accompany and collaborate with our peers. Particularly, we have very close and regular working ties with the UN PRME, GBSN, GRLI and OECD.

So as the Council on Business & Society celebrates its 10th birthday this month of June, and whether through the full-time or executive studies offered at our institutions, or the initiatives and knowledge we propose to the wider public through our online presence, we invite you to join us in playing a role in shaping business and society for the common good, and for the long-lasting health of our planet.

Signed,

The Deans of the Council on Business & Society member schools:

ESSEC Business School, France-Singapore-Morocco; FGV-EAESP, Brazil; School of Management, Fudan University, China; IE Business School, Spain; Keio Business School, Japan; Trinity Business School, Trinity College Dublin, Ireland; Warwick Business School, United Kingdom.

CoBS 10 YEARS
An Alliance with a Purpose

/EDITORIAL

Professor ADRIAN ZICARI,
ESSEC Business School, Executive Director
Council on Business & Society & Professor

METTE MORSING,
Stockholm School of Economics
and Head of PRME at UN Global Impact

This tenth anniversary of the Council on Business & Society is an opportunity to reflect upon business education and its contribution to society. This is a much needed contribution nowadays, in a context of raising inequality and alarming environmental degradation. It is no coincidence that the UN Principles for Responsible Management Education (PRME), the CoBS and other international initiatives have been looking for ways raising business education up to these challenges. We also see that business leaders are also becoming aware of these problems, as evidenced by the 2019 Statement on the Purpose of a Corporation, released by the Business Roundtable, an influential group of large firms in the US.

WHERE GOOD MANAGEMENT MATTERS

We may ask ourselves how business schools could contribute to humankind and the planet, particularly in these difficult times. Simplifying a bit, we can analyze both the "supply" and the "demand" of the education we give to our students. First, in terms of supply, we can ask ourselves which kind of managers we are training. This is an important question, as companies – indeed company managers – have an increasing role in society today. Managers make small decisions, big decisions, lots of decisions, and they are all decisions which impact society for good or for bad. The problem is that too frequently, we scholars imagine that we only prepare students for becoming managers in large companies, global consultancies and investment banking. Granted, there is nothing wrong with those job descriptions, but society also needs good managers in start-ups, hospitals, schools, NGOs, and governments, just to mention a few other places where good management matters.

CONTENT FOR LEARNING WITH IMPACT

Moreover, in terms of supply, we may also explore the contents we bring to the future managers. While many business schools have pioneered in developing courses and teaching material in Sustainability, there are still too many business school graduates who are unfamiliar with these issues. Curiously, we now see some professionals learning about Sustainability as they go, because they did not have the opportunity to do that when they were at a business school. Indeed, we should ask ourselves how our commitment to Sustainability actually influences our program contents, the textbooks we use, the cases and simulations we choose.

TAKING IT ALL UP A NOTCH

This leads to our second point, the demand side, that is, the viewpoint of students. For those of us who have been in the field for a while, it is so heartening that we no longer need to justify the importance of Sustainability. Students do not need to be convinced anymore. Sustainability is now taken for granted. Indeed, students are increasingly aware of the challenges ahead. Most of them are willing to become change-makers, and some of them have active engagements in NGOs and civil society. While this is good, we professors have to develop a different mindset in the classroom. Instead of raising awareness (an unnecessary task today), we now have to explain the complexities of bringing about change, along with the nuances, tensions and difficulties involved. Despite of all our enthusiasm and commitment, we have to acknowledge that sustainability is not achieved by decree, overnight. The honest thing is to prepare students for the challenge ahead, which is tough, to say the least.

BRINGING OUT THE BEST IN OUR STUDENTS

Furthermore, our students are much less passive, and they want more participatory pedagogies. The lecture is passé. Students (and with further reason, Exec Ed participants) want to be active learners. We need to explore with different pedagogies, embracing the promise of digital tools, and using teaching cases, serious games and business simulations. Moreover, business schools need to strive for a more complete education, not limited to technical tools alone. Of course, learning how to calculate the Net Present Value is useful, indeed necessary, but this kind of knowledge alone does not make a good manager. We contend that a good manager needs to be first and foremost a good person. We educators know well that the verb "educate", in its Latin origin means "ex" (out) and "ducere" (leading), that is, bringing out the best of the person. If we educators are faithful to our professional vocation, we should not refrain from this challenge. We should aim for preparing mature, conscious, well-balanced managers. Only these kind of managers can help to bring the change we need today.

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BRAINS THAT HAVE BRAWN

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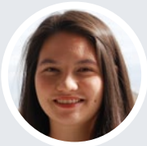

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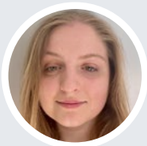

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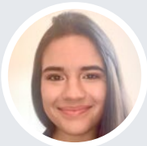

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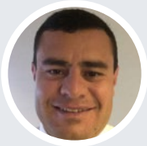
BRAINS THAT HAVE BRAWN



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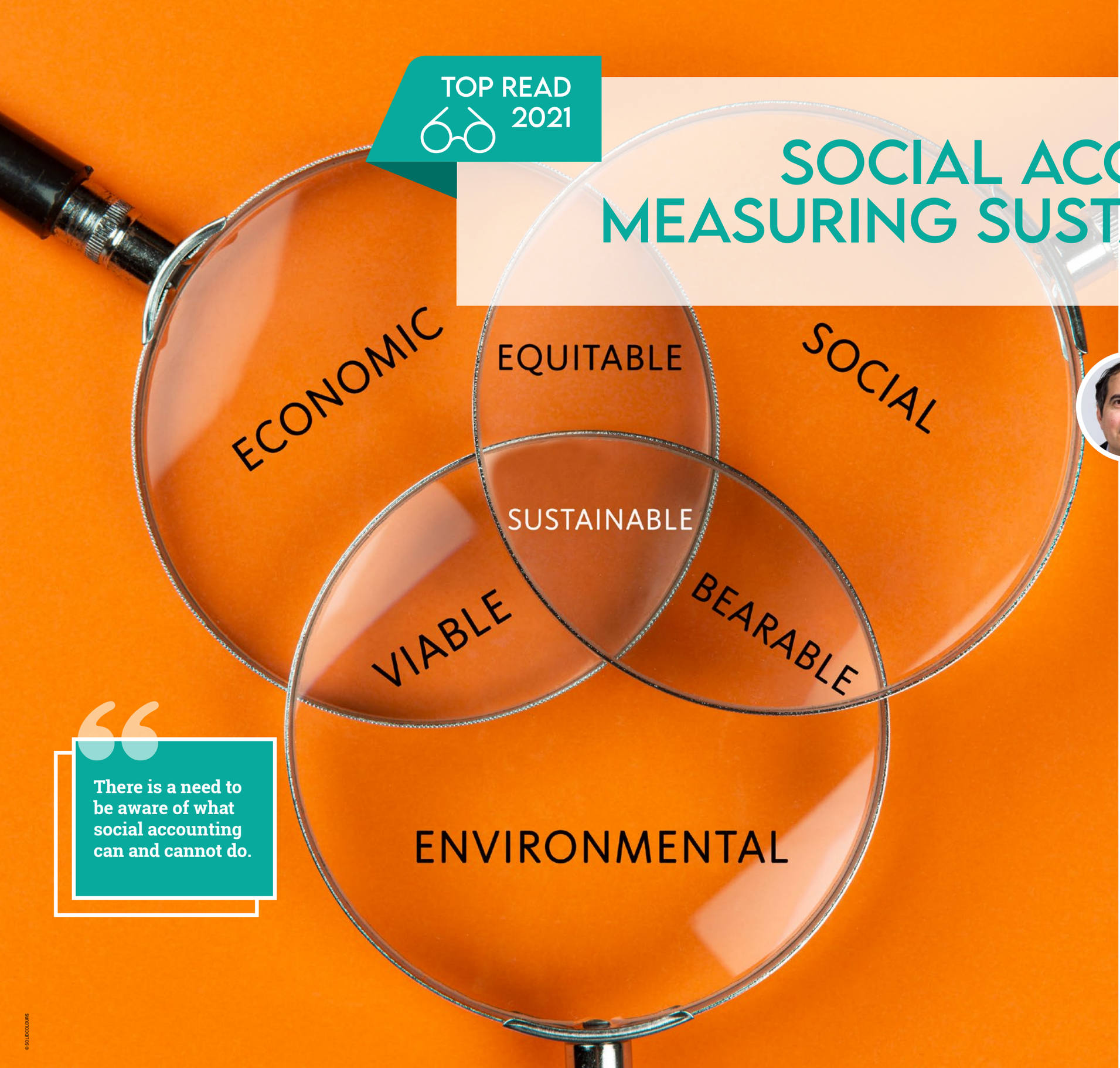
RESPONSIBLE FINANCE & SUSTAINABILITY

TOP READ 2021

SOCIAL ACCOUNTING: MEASURING SUSTAINABILITY



> There is a need to be aware of what social accounting can and cannot do.

Putting a value to the impact people and their organisation have on the world around them is not an easy task, says **Prof Adrián Zicari,** of **ESSEC Business School,** especially in the context of ethics in finance.

WHAT THE NUMBERS CAN'T – AND DON'T – SAY

Sustainability has become one of the most pressing issues of the day, with the entire world becoming more aware of problems such as environmental degradation, inequality, and climate change. As such, sustainability involves maintaining 'a social and environmental balance' that reduces negative impact in the future.

In light of this, it is important that a form of measurement—or accounting—be developed. This measurement has been given the name 'social accounting', and can also be replaced by terms such as 'sustainable accounting' and 'nonfinancial accounting', says Prof Zicari. Yet, what it actually measures is not very clear, for there are various parameters that represent the complex nature of social and environmental impact.

The growing volume of information contained in reports on sustainability published by corporate houses is proof of this problem, for there is a distinction between 'comprehensiveness' and 'comprehension'—as the reports become larger, the more difficult it is to understand them. To top it all, social and environmental indicators are not always accounted for using currency units, which are widely understood.

Moreover, conventional accounting dates from around the fifteenth century, and has well established practices and conventions. By contrast, social accounting took its first steps in the 1970s and gained traction in the 1990s, mainly in Europe, with the idea that accounting should encompass more than just economic impact. This means that the field, while more developed today, still has some ground to cover before being as uniform as its financial counterpart.

REPORT TO IMPRESS

One issue that needs to be addressed is that of reporting. Until now, social reporting has generally been voluntary, although some regulation does exist, mostly in Europe. Yet, given the freedom to report, many companies choose to report essentially to gain legitimacy, for companies need to address societal expectations.

In addition, a study of corporate reports in the USA reveals that companies with not-so-stellar environmental performance tend to use more optimistic language, which suggests that some environmental disclosure is strategic. Even if one assumes that companies do not provide misleading information, companies can't be expected to provide open-access to all their social and environmental information.

This brings us to the question of whether regulation will help—for even though CSR actions may be voluntary, and thus out of the scope of a firm's duties, there is some consensus that some form of compulsory reporting will increase the information available and also comparability among various reports.

SPARE THE ROD

Soft-law deals with existing reporting frameworks—such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Boards (SASB), and Integrated Reporting (IR)—and even though compliance to these frameworks is voluntary, compliant companies have to conform to a certain structure when publishing data. Despite this standardization, 'comparability among companies using the same reporting standard can still be difficult', according to Prof Zicari. But it is not a lost cause, for voluntary social reporting can still be used to engage with stakeholders.

Hard-law, on the other hand, requires mandatory social disclosures and while it increases social reporting, as evidenced in some studies in both Spain and Italy, quantity does not mean quality. Further, social reporting is merely a means to an end—sustainability—not an end in itself. Achieving sustainability will perhaps require more—an active civil society that will use social reporting tools to drive the change needed.

To this end, previous research suggests that regulations should foster involvement of civil society, promote easy access to sustainability data, and presentation of the said data in a comparable manner.

AN INSIDER'S ACCOUNT

But reporting only takes into account half the story, for it doesn't really capture what goes on inside the firm. For instance, a case study focused on a small industrial company in New Zealand, with a CEO genuinely committed to CSR, facing no internal resistance, and with initiatives such as inclusive hiring—shows that implementing social accounting is not a piece of cake, no matter how favourable conditions may be.

This is perhaps because of the level of integration between a firm's internal indicators, also known as the 'management control system' (MCS) and the firm's CSR indicators. The ideal case is one where the firm's CSR indicators are a part of the MCS, allowing the firm to pursue a developed sustainability strategy.

Given how managers acting in good faith and little internal resistance in their companies can also fail at achieving sustainability, a need for an integrated approach is felt. This integration may come from a clearer definition of CSR together with corporate performance, as opposed to an approach where CSR is the responsibility only of a certain team within the overall organisation.

INTERTWINED

The next step is to consider how social reporting relates to its traditional counterpart—the financial result. And while one may assume these to be isolated from one another, the reality is a little more nuanced. This is because there is an overlap of audiences—an expense by a company to say, buy a new equipment to reduce pollution has an impact on the bottom line, as well as on the environment.

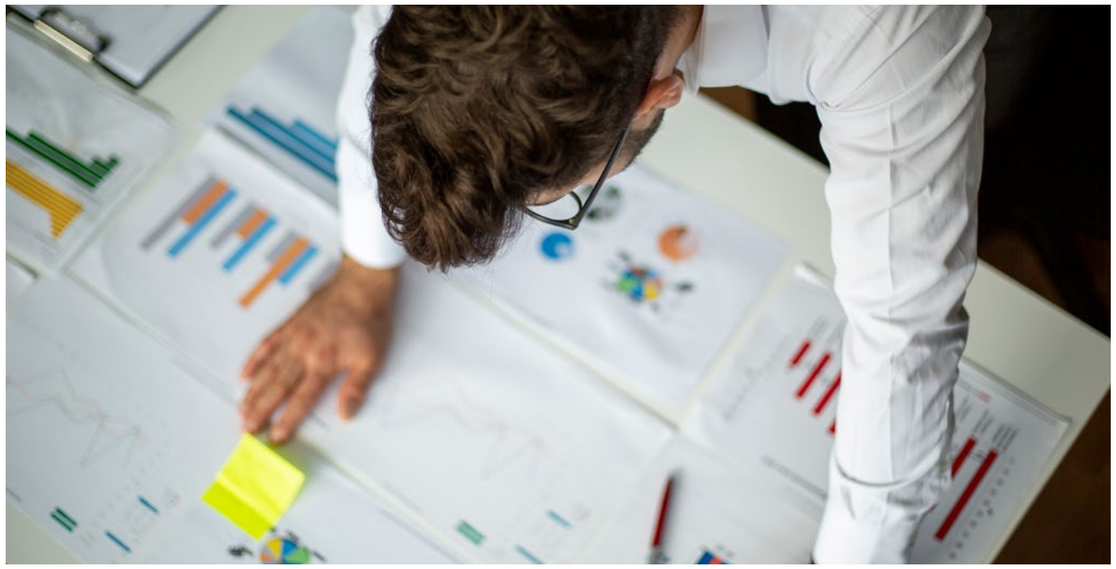
Similarly, an investor could like to look at the finances to see the where the company is headed and also at the social report to better understand the risks involved.

And while several frameworks have attempted to identify a cause and consequence relation between social and conventional accounting, a clear link is yet to be found. As such, managers may implement sustainability strategies when deemed appropriate, even if a business argument for one cannot be made.

Managers may also want to choose their framework carefully, for each one of them has different indicators. For example, the GRI includes a large set of varied indicators, targeting multiple stakeholders, while the SASB's indicators differ by industry.

THE BIG PICTURE

One should also not lose sight of the fact that social accounting is not the end goal. Sustainability is. This brings the debate to a crucial argument—whether social accounting will help achieve that objective. And while some research suggests that is indeed the case, the big picture tells a different story.



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This is because studies suggest that social accounting can lead to 'institutional appropriation'—marginal improvements without significant change. This is not to say that the entire exercise has been in vain—large companies across the globe now release social reports and social reporting is now a mainstream academic discipline rather than being a niche field.

One problem is that improvements in large corporations do not compensate for business-as-usual trends in small and medium companies that form the bulk of the production and employment bandwagon.

Furthermore, social accounting increases disclosure that may lead to token improvements without challenging the status quo. This is akin to treating the symptom but not the cause. For example, transportation-related accounting may lead to improvements in numbers such as fuel efficiency and tonnes of emissions. Yet, it does nothing to answer more fundamental questions such as the need to travel so much. The COVID-19 crisis is a good example of how it took a global pandemic, not social accounting, to make real change possible—business meetings only now started to be increasingly held online despite this being possible before.

As such, there is a need to be aware of what social accounting can and cannot do. For it is not a magic wand that when waved will simply replace problems with sustainable solutions. To that end, a concerted effort from an active citizenry and the use of tools from other areas such as design thinking can also go a long way to save us and our future, from ourselves. ///

KEYS TAKEAWAYS

- Sustainability involves maintaining 'a social and environmental balance' that reduces the negative impact in the future. In light of this, it is important that a form of measurement—or accounting—be developed.
- There is some consensus that some form of compulsory reporting will increase information available and also comparability among various reports.
- Regulations should foster involvement of civil society, promote easy access to sustainability data, and presentation of said data in a comparable manner.
- Implementing social accounting is not a piece of cake, no matter how favourable conditions may be.
- Social accounting is not the end goal, sustainability is, and social accounting has led largely to 'institutional appropriation'—marginal improvements without significant change.
- There is a need to be aware of what social accounting can and cannot do. A concerted effort from an active citizenry and the use of tools from other areas such as design thinking is required as well.

SHAREHOLDER ACTIVISM: DRIVING SUSTAINABILITY INTO PROFITABILITY

Jessica Pham, Warwick Business School winner of the 2021 CoBS student CSR article competition, looks into the what, why and how of the potential win-win relationship between business, profit, consumers and sustainability.

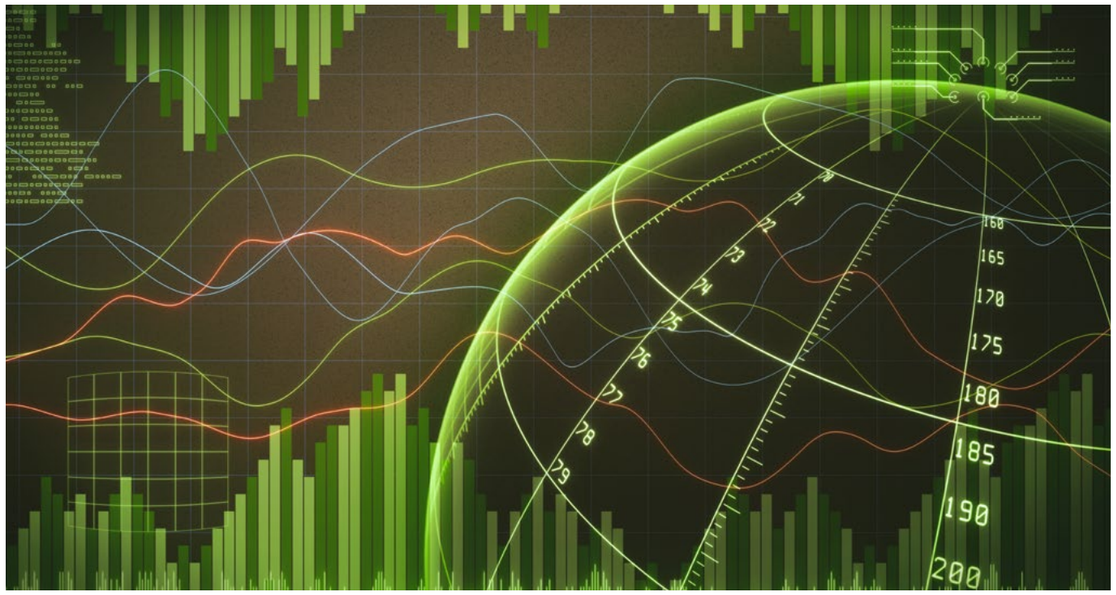
The green consumers, the impulse shoppers, the bargain hunters, the customers in search of the best quality...

As customers, we often have multiple criteria when looking to buy a product. We want good products at a good price. Functional, convenient, reliable, efficient. And the list goes on.

More recently, with the growth in consumer activism, we are demanding products to be more sustainable – taking into account environmental and social considerations (Brochado et al., 2017). If this wasn't already difficult enough for companies to navigate, sometimes as well as being customers, we're the investors. It may be customers investing because they're just enthusiastic followers of a company, or simply (and most often times) people invest for the prime reason of expectations of high returns.

So it's safe to say we have a lot of demands from companies. From the customer perspective, we want good, sustainable products; from the investor perspective, we want profitable investments. This balance between embedding both sustainability and profitability in organisations has previously been thought of as unachievable, the so-called profit-planet trade off (Bansal et al., 2016). However,sustainability and profitability can co-exist. Starting from us, the citizens. We drive the businesses, so businesses have to listen to us, right?

> **Business is no longer a case of managing short-term risks. It's about leading a better company for better shareholder returns, a better society and a better planet.**



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THE DISCONNECT: SUSTAINABILITY V SHAREHOLDER RETURNS

Corporate sustainability has become an expectation in companies over the last 20 years (Bonini and Swartz, 2014). Statements of social purposes, reporting progress against environmental, social and governance (ESG) metrics, and joining collaborative efforts, such as the Sustainable Development Goals (SDGs), are to name a few of how organisations are responding to the urgency of tackling environmental and social issues. And it all sounds great – companies are seemingly doing a lot to act responsibly. But when it comes to addressing sustainability and societal challenges, it's often seen as separate from core business operations (Young and Reeves, 2020).

The global trend over the last decade has been focused on the money: optimisation of processes, greater efficiency, reaching financial targets (Young and Reeves, 2020). All with the aim of maximising shareholder returns in the short term, but this works against maximising a long term sustainable economic advantage (Ayres, 2017). In a sampling of leading public companies' annual and sustainability reports by the Boston Consulting Group, only 3 out of the 15 companies explained how their goals in sustainability could positively impact the financial performance of their business.
So the current connection (or lack thereof) between sustainability and investor returns in many businesses is clear. The pressure of short term earnings performance clashes with sustainability initiatives (Bonini and Swartz, 2014). This puts us, the citizens, in a difficult situation. Deciding between investing in "good" companies producing sustainably or the non-sustainable and unethical companies that we don't want to support but are motivated to invest in because they showprospects of short term profitable returns. But what if we don't have to compromise? Sustainability can be used as an economic driver of value creation (Evans et al., 2017).

REIMAGINING BUSINESS

To optimise for both sustainability and business value, organisations need to stop taking a fragmented, reactive approach (Bonini and Görner, 2011). It's not just about complying with regulations or "reusing and recycling". Instead, companies need to reimagine and rethink business models for sustainability (Gurnani, 2020).

Creating environmental and societal value, in turn, creates business value in three key areas: returns on capital, growth, and risk management (Bonini and Görner, 2011). Cost efficiencies, leading to improved returns on capital, can be found from more sustainable operations. Like for Bayer, the German pharmaceutical and nutrition/life sciences company, the development of a resource-efficiency check that uses by-products and reduces wastewater, was estimated to save more than $10 million a year (Bonini and Swartz, 2014). There are also advantages of extending sustainability efforts to customers; the process of building unique business models and new innovations that are difficult for competitors to copy can strengthen growth. Take the example of the energy industry: new products like commercialising investments in smart grids can generate more opportunities to create value and reach new customers and markets (Bonini and Görner, 2011). These are just two examples and two benefits out of the many that businesses can seek to gain from adopting greater ESG practices.

Many bodies of research also cite this direct correlation between sustainable practices, share prices and business performance. For instance, recent research by Harvard Business School economists, Serafeim and colleagues, found that companies who adopted ESG policies in the early 1990s, termed as 'High Sustainability companies', outperformed their carefully matched control groups over the following 18 years. The Bank of America Corporation (2018) findings also support this correlation.

Their evidence showed firms with a better ESG record than their peers produced higher three-year returns, were more likely to become high-quality stocks, were less likely to have large price declines, or go bankrupt.

This suggests sustainable initiatives are not key to only creating net positives to stakeholders on environmental and societal dimensions, but they also play a role in increasing returns to shareholders. As Young and Reeves (2020) put it: "Without collective value creation there can be no sustainable value extraction". Therefore, investors don't have to compromise and choose between companies embedding sustainable practices or choosing to make profitable investments – implementing ESG can have a direct positive impact on business results. What investors do have to ensure, is that companies are adopting sustainable practices in the first place in order to even begin reaping the returns from a strong ESG proposition (Henisz et al., 2019).

WE, CITIZENS, HOLD THE POWER

A barrier lies within many corporate managers that believe pursuing a sustainability agenda runs counter to the wishes of their shareholders. In a recent survey by The Bank of America, U.S. executives underestimated the percentage of their company's shares held by firms employing sustainable investing strategies by 20% (average estimate of 5%; the actual percentage is around 25%) (Eccles and Klimenko, 2019).

Contrary to managers' beliefs, evidence already shows there is a growing appetite among investors to engage with companies on ESG matters (Gordan, 2020). Rising shareholder and consumer activism is also a significant trend predicted to shape the societal context in the next decade of business (Young and Reeves, 2020). Therefore, if this is the supposed "new reality", what actions can investors take to shape a sustainable, profitable world?

Investors can use their powers to address climate, energy and sustainability issues that affect long term performance. Gordan (2020) explains that in the US, more confrontational techniques are often used with activists seeking board representation or even instituting proceedings against the company. In Europe, activists adopt a milder strategy with two main focuses: establishing a dialogue with the board behind the scenes and applying public pressure. European activists use tactics such as social media campaigns, instructing proxy advisors to encourage shareholders to vote in line with the activist's campaign and utilising their shareholder rights. Finally, in the UK, companies receiving significant annual general meeting (AGM) dissent, appear on the Investment Association's public register and the UK Corporate Governance Code requires companies to publicly address these shareholders' concerns within six months. Therefore, shifting the power dynamics to shareholders, influencers, and activists injects a new risk into a company's ecosystem and companies have no choice but to respond. Or at the very least, take investor concerns to the negotiating table in order to mitigate this risk. So investors are able, and should, use their rights and power to get companies to make beneficial changes. In this way, sustainability versus profits will no longer have to be nor a debate or a compromise.

TAKING ACTION

Society has changed, and the context for business has changed alongside it. Models of business for solely maximising shareholder value are fading out (Denning, 2019). Companies now need to co-optimize business with social value in order to deliver competitive total shareholder returns in the medium and long terms (Young and Reeves, 2020). With this change, businesses are likely to see a new breed of activism bringing new challenges. But what's clear is that the best way forward for companies is to be proactive, pre-empt and work together in fulfilling the ever-louder calls from investors for more disclosure and higher-quality, reliable ESG data and reporting. Business is no longer a case of managing short-term risks. Instead, it's about leading a better company for better shareholder returns, a better society and a better planet. ///

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KEYS TAKEAWAYS

- Businesses and their investors shouldn't compromise between sustainability and profitability. Instead, businesses will win for their shareholders by creating environmental and societal value.
- ESG principles in company strategies can be used to create secondary value and ultimately drive profitable growth. This is backed by considerable evidence showing the correlation between sustainability agendas and increased business value.
- Shareholder activism is on the rise and investors may soon play an even greater role in convincing businesses to adopt sustainable practices through the use of their powers.

PIECE BY PIECE

Adélie Conan-Nguyen, ESSEC Business School winner of the 2021 CoBS student CSR article competition, reveals the arguments, challenges and solutions for interoperability – an overlooked means of achieving tangible and rapid results for sustainability.

> **We cannot afford to wait for a miraculous invention that will simultaneously satisfy all our needs.**

When we look at the innovations made by companies over the last decades, it is not hard to believe that organizations could leverage their innovative capabilities to reduce their environmental impact. After all, over the span of my (quite short) lifetime, the world has seen technological revolutions and industry prowess such as the rise of the Internet or the birth of the smartphone. If some can dream to be the firsts to spend a night in a space hotel orbiting around the Earth, is it really such a stretch to believe that organizations could hold the key to a more sustainable future? That the solution to our race against climate change is hidden within the confines of R&D departments?

Sadly, the problem does not lie in organizations' innovative capabilities: the core issue of hoping that companies will find a solution is time. We cannot afford to wait for a miraculous invention that will simultaneously satisfy all our needs, stop exploiting the Earth's non-renewable resources and protect the environment around the world. Such an innovation may exist, but in the meantime, what can organizations do to work towards a sustainable future?

Part of the answer to that question may lie, as so many things do these days, in the world of software, big data and the Internet. It is called: interoperability.

TO COMPATIBILITY... AND BEYOND!

Interoperability is defined as the ability of a system or a product, of which all interfaces are known, to function with other systems and products, present or future, without hindrance. It is a transversal notion that goes beyond simple compatibility: interoperability requires different systems to respect a set number of norms that create a base upon which they can all function, apart or with one another.

Nowadays, interoperability is mostly applied to software, as a way to enable organizations all over the world to work together. As you can imagine, it would be pretty hard for a global economy to function without the appropriate means to share information with your partners abroad. As S.R. Ray and A.T. Jones state in Manufacturing interoperability (Journal of Intelligent Manufacturing, 2006), "because no single company can dictate that all its partners use the same software, standards for how the information is represented become critical for error-free transmission and translation."

Much criticism has been made against interoperability in our modern, global and oh-so-polluting economy. Some seem to fear that setting strict norms will hinder creativity and innovations by constricting companies within the confines of their standards. Others warn of the threat interoperability may pose to intellectual property rights and patents since interfaces must be known to make interoperability a possibility. Lastly, some companies have clearly shown, over the years, their opposition to interoperability as a way to capture and hold customers within the confines of their brand and increase their profit. Apple may be the most famous example for such behaviour, with their specific charger and the removal of the headphone jack on the iPhone 7.

These fears, however, are unfounded and misguided. Setting norms may be constricting but they are simply the base upon which companies must innovate. Interoperability may require some interfaces to be known for products to work together, but some may remain trade secrets. And last, but not least, interoperability may be necessary to increase profits: for instance, a 2015 McKinsey study (The Internet of Things: Mapping the value beyond the Hype) has shown that interoperability is required to capture 40% of the potential total value of the Internet of Things.

FROM SOFTWARE TO HARDWARE

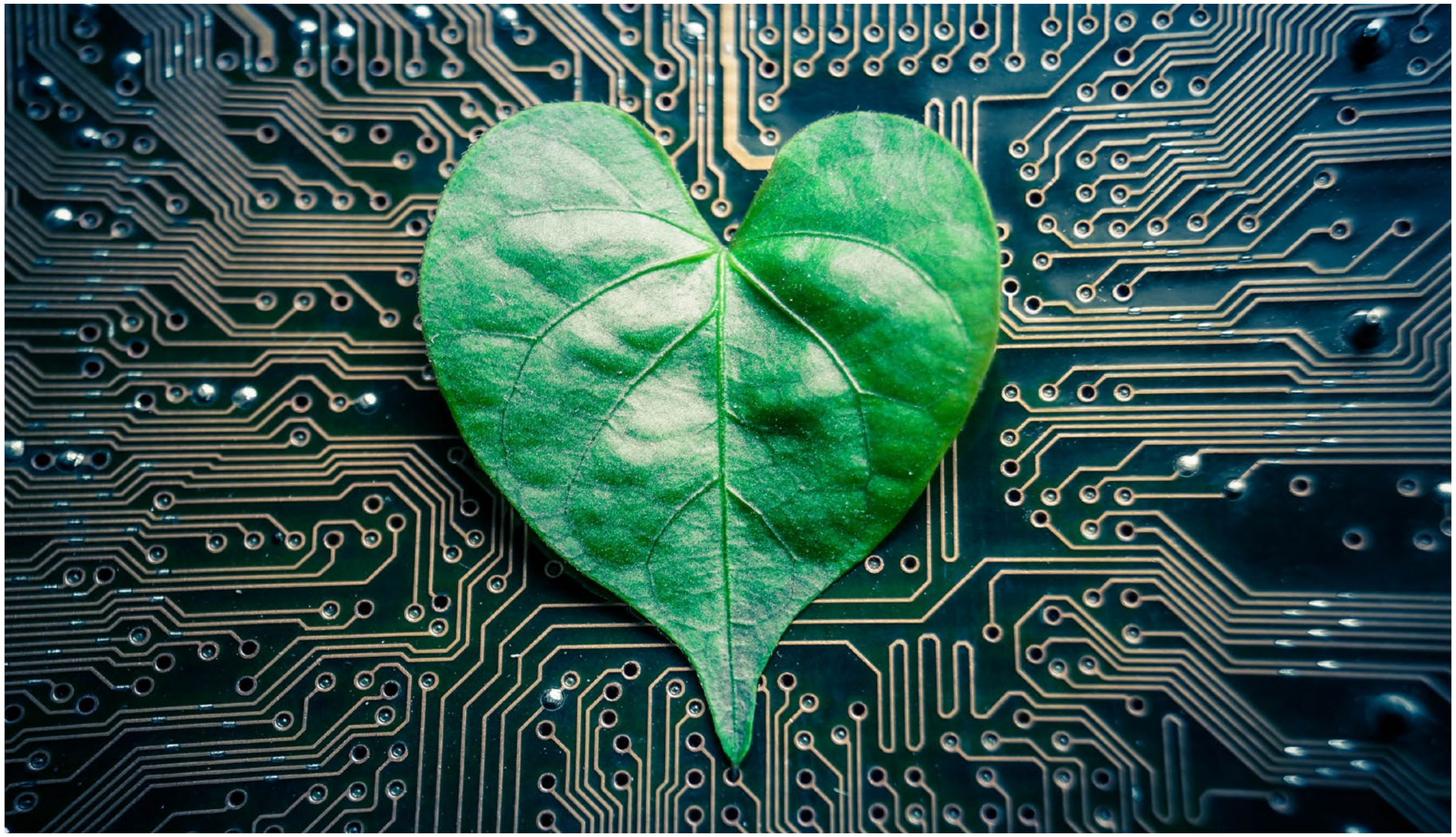
You are now probably thinking: "That is all nice and well, but what good is it for the environment?" The answer is not hard to grasp. We can start with a small exercise: how many chargers do you have? Before you read ahead, take a moment to count all of them. Three? Five? More? You have at least one for your phone and one for your laptop. Maybe another for your digital camera, your headphones, your smartwatch... And the reason you have so many is because they are not interchangeable, and this small exercise works for many other objects of our everyday life.

This is the reason why we need interoperability to leave the sphere of the immaterial, to go from a principle in software creation to a necessity in hardware production. As Isabelle Delannoy describes (L'Economie symbiotique, Actes Sud – Domaines du Possible, 2017), interoperability could become a fundamental rule of industrial components. Instead of buying a product, we would be buying the parts of a product, with the ability to change the some of them without changing the whole. If you have ever broken the screen of your smartphone and tried to repair it, you may have balked at the sight of the bill. At that price, why not buy an entirely new smartphone?

Interoperability could apply to a lot of everyday products, from our computers to our cars. If we only need to change one small part of an object instead of buying a new one and tossing the old one in the bin, it would help improve our ability to repair and reuse the numerous appliances that surround us, but it would also reduce the amount of resources we exploit.

This principle already exists, and its most notorious application is Fairphone, a Dutch company which aims to produce sustainable smartphone. One of the top selling-point of the Fairphone is the ease with which each of its components can be replaced if needed: the battery, the camera, the screen, the loudspeaker... According to tests, it takes around half-an-hour and between 30 and 90 euros to replace a defective part (On a testé... le Fairphone 3, le smartphone qui se veut éthique, N. Six, Le Monde, 2019). In short, you only need to buy the parts you need, nothing more, and what you obtain is the sum of parts your buy.

However, to properly serve interoperability, the Fairphone model would need to be extended to entire industries, each building its own norms in accordance with related sectors.



THE NEW COMMONS

Interoperability, as a means to unlock a more sustainable economic model, requires companies within a specific industry to work together and to agree on their own norms. These norms may evolve, to keep up with innovations, but they need to form an agreed upon base for all organizations. These norms, accessible to all and shared with everyone, will form the new commons.

As Nobel Prize laureate Elinor Ostrom states in her book Governing the commons (Cambridge University Press, 1990), there are 8 rules to define a common: clear group boundaries, governance rules matching local needs and conditions, the insurance that those affected by the rules can participate in modifying them, and that the rules will be respected by outside authorities, an official system to monitor members' behaviour, a set of graduated sanctions for rules violators, accessible and low-cost means for dispute resolution, and shared responsibility for governance through the entire interconnected system. These principals can, and have already been adapted to software governance around the world, with figures such as Richard Stallman, who launched the concept of copy-left.

The copy-left concept developed by Stallman defines free software as software that everyone and anyone can use, copy, modify, but to which no one can add any restriction.

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This would also apply to the norms that birth interoperability: available for everyone to use, protected from anyone who would wish to prevent others from accessing it. The standards of interoperability would be the new commons of each industry, a common ground that every organization would nurture and defend, develop and regulate.

This may sound like a utopia, but the truth is, a certain level of interoperability already exists in some fields, in some ways. All telephones work together, after all, and you are able to call whomever you want, no matter the operator or the phone they use. As a musician, I also know that almost all instruments, microphones, mixing tables and amplifiers can be connected with one another thanks to 6.5 jack and XLR cables. What is keeping us from taking interoperability one step further? ///

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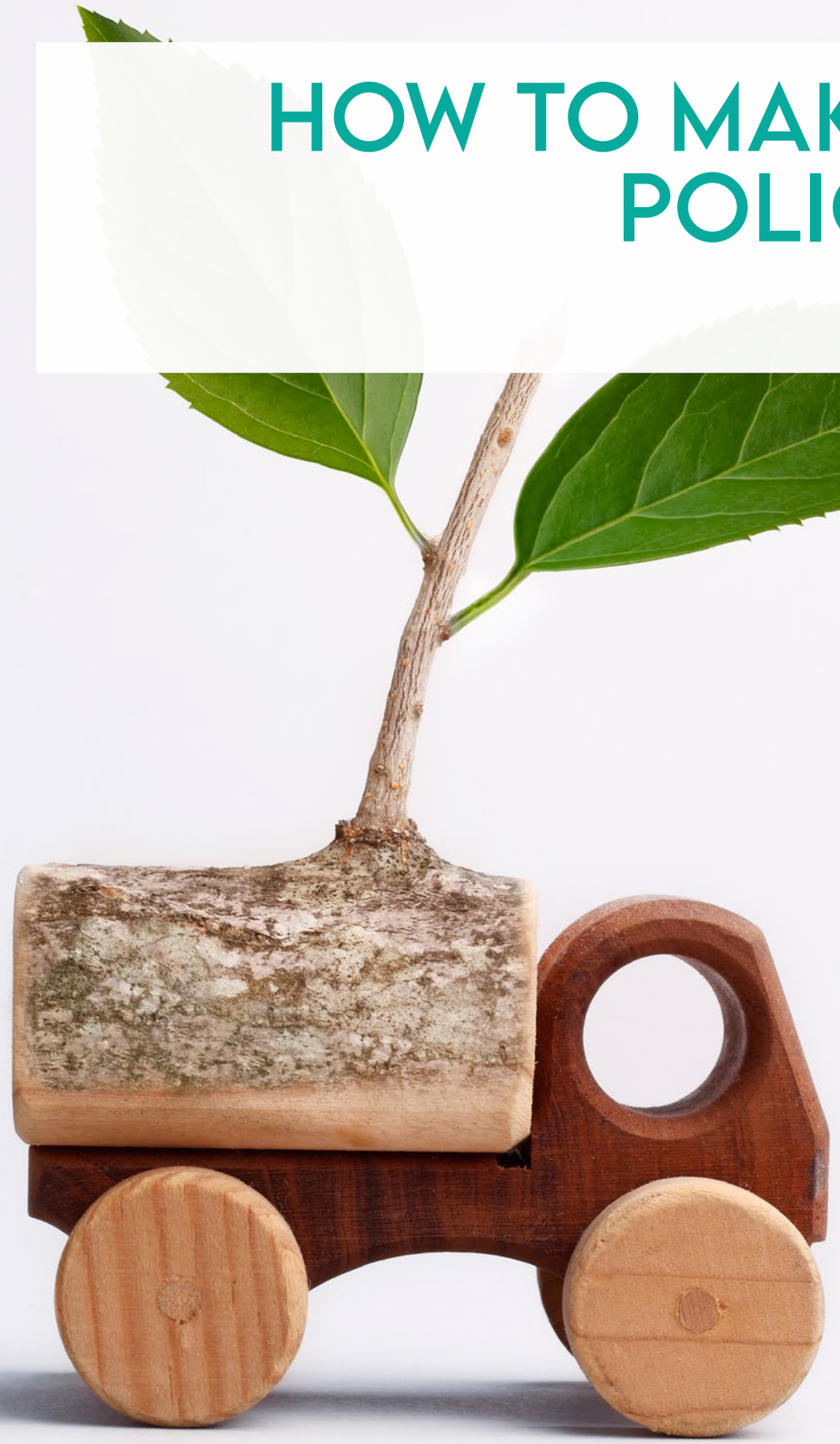
KEYS TAKEAWAYS

- Although organizations may have the innovative capabilities to offer a solution to the environmental crisis, we do not have the time to wait for a miracle. One way to enable organizations to be more sustainable is interoperability.
- Interoperability is a concept born with software and the Internet: it states that, through a set of common norms, different programs can work with one another and even be compatible with future programs. A certain level of interoperability is now necessary for our global, digital economy to work.
- This concept is applicable to hardware and physical products and would enable us to reduce the amount of resources we exploit for our everyday objects, which would literally become the sum of their parts. Many projects already exist towards this goal, but we need to take it one step further.
- Adapting interoperability to hardware would necessitate industries to create, together, the norms they will adhere to. These norms would become our new commons, the standards upon which we create a more sustainable future for hardware.

HOW TO MAKE ENVIRONMENTAL POLICY DRIVE BUSINESS INNOVATION



> **A great deal of the challenges is addressed by conquering the hearts and minds of business leaders.**

Pedro Vormittag, FGV-EAESP

Runner-up in the 2021 CoBS student CSR article competition, sets the argument for environmental policy to drive business innovation – by giving companies a voice in influencing which regulation to put on the table in international climate negotiations.

It has become primary to ask how organizations can innovate to reduce environmental impact. While the agenda is indeed essential, a more urgent mindset must rise in the conversation about business and sustainability. It Is high time organizations figured out how to leverage the challenge of addressing climate change to boost business innovation. Unlike what common sense could state, there is no compelling reason why environmental regulation should hinder competitiveness. On the contrary, if business leaders are able to think strategically, it becomes possible to harness the limitations of environmental regulation as a driver of innovation.

These days, it might be challenging to think of innovation beyond the nuts and bolts of algorithms and new social media platforms. But innovation Is not just about digital technology. Following Bill Gates' lead in his latest book about climate change, innovation means both new devices and new ways of doing things (Gates 2021, p. 308). Out of the countless managerial choices business leaders have in contributing to climate adaptation, mitigation and restoration, a new mindset of corporate sustainable development diplomacy stands out. Companies should engage in international climate negotiations pitching regulation that helps businesses frame innovation towards sustainability. Here's how.

CLIMATE CHANGE IS A FACT AND IT IS HERE TO STAY

The existential threat of climate change has been fairly debated in the last decades. Long story short, the fossil fuels we have been burning into the atmosphere over the past three centuries are making Earth hotter. Just a few degrees' increase can have catastrophic outcomes. Rising sea levels in coastal cities and islands can take over land and trigger unprecedented migration crises globally. Structural transformations in hydrological cycles threaten the agricultural industry's arable land, leading to massive food security issues for underserved communities. Higher average temperatures can prompt the extinction of species and disturbances in biological food chains, bringing about new ecosystems and biomes that are unknown – and likely more hostile – to humans.

The numbers are astonishing, either because they are too big or because they are too small. For the past decades, humans have been introducing around 51 billion tons of carbon into the atmosphere. Such an overwhelming amount of carbon might wind up leading to a slight increase of 2 or 3 degrees in global temperatures, enough to change life on Earth as we know it (ibid p. 83).

Why are we not curbing greenhouse gas emissions like our lives depended on it? Truth be told, significant efforts are being made already. But the problem is pace and volume. Fossil fuels lie at the very heart of the global economy. From electricity to transportation, from food production to civil construction, a crucial amount of industrial and technological processes still depends on carbon emission. Only an ambitious agenda of structural transformation in the global economy can have the proportion to stop climate change in our time. This is where business and innovation come in.

CLIMATE CHANGE IS EVERYONE' S PROBLEM

After all, climate change is such a big issue that humanity must address it as a whole. Unlike previous global problems that drove the diplomatic agenda in the 20th century, such as nuclear proliferation or peacekeeping missions in failed States, the reality of climate change poses challenges to a plethora of political stakeholders beyond nation-States' borders. In dealing with carbon neutrality goals and environmental law enforcement, for instance, private businesses, cities and local governments can often be in a more favourable position to deliver than central governments. Recently, cities like Los Angeles (USA) and São Paulo (Brazil), as well as states like California (USA) and companies like Apple, made the political choice of sticking with the Paris Climate Accords of 2015. Through the «We Are Still In» Movement of 2017, for instance, cities, states, businesses and other civil society stakeholders organized to stand up for international climate efforts attacked by former US President Donald Trump's policies.

BUSINESSES MUST – AND SHOULD – ENGAGE

Businesses have a moral and an existential urgency to make decisive contributions to global efforts of stopping climate change. The good news is that playing the righteous role in that agenda mlght actually pave the way to a number of unprecedented business opportunities.

When it comes to adaptation and mitigation, at least two inspiring examples can be drawn. One of the trailblazing initiatives dedicated to that very mindset revolution Is Mission Innovation, announced at the COP 21 in 2015 as «an initiative to dramatically accelerate public and private global clean energy innovation to address global climate change, provide affordable clean energy to consumers, including In the developing world, and create additional commercial opportunities in clean energy. (Mission Innovation 2015).» On that same path, the Breakthrough Energy Coalition (ibid) gathers private funding to boost the business appeal of pioneer clean energy solutions.

In the meantime, in the developing world, countries that have historically played leading roles in international climate change negotiations are once again pitching innovative ways to ensure life conditions on Earth. In the Brazilian Amazon, for instance, a new and profitable bio economy prepares to grow, as trailblazing pharmaceutical products can be discovered by businesses that are willing to ethically harness the traditional knowledge of indigenous people – the best business partners a 21st century business mindset could hope for (Nobre 2012).

When it comes to restoration – the newest climate transformation task aims at restoring atmospheric $C0^2$ levels to less than 300 to 350 parts per million (ppm) from our current 415 ppm within one generation by 2050 (Khagram 2018 p. 3) – the money can be as big as the challenge itself. A recent study by Thunderbird School of Global Management has concluded that direct ·market opportunities of climate restoration could range between 1 to 3 trillion USD per year, while indirect economic and environmental benefits could reach up to 5 trillion USD per year by that same period (ibid p. 5).

In fact, influential voices such as former UK's Foreign Secretary's Special Representative for Climate Change Sir David King have argued that «there hasn't been a wealth creation opportunity as the move away from fossil fuels since the beginning of the industrial revolution. (King 2020).» But despite the urgency of structural changes in the way businesses deal with their carbon neutrality decisions, and even despite the remarkable profit opportunities waiting to be harnessed, the pace of industry adaptation and innovation is still not as agile as necessary to curb irreversible damage to global climate temperatures until 2050.

Governments must lead· the way in setting the agenda of a new green economy, enacting policies that point to the ways through which sustainability can be consolidated as a key proxy for profits and productivity.

BUSINESSES HAVE POWER IN INTERNATIONAL POLITICS

Among all the contributions businesses can make in solving climate change, it all comes down to innovation. The pace of creative destruction that companies can unlock for fighting climate change is tremendous. There seems to be little controversy over the idea that economic agents have power over environmental regulation. However, explanations tend to be too broad, often labelling the whole category of economic stakeholders under the label of «capitalism». What remains unexplored is the potential that businesses have to push the boundaries of environmental regulation. Business actors translate abstract economic forces into concrete, observable facts of political life. Their dual role as economic and political actors makes them pivotal players in the search for global environmental solutions. (Falkner 2008, p. 4)

At least, this is what the history of international environmental policy shows. While businesses were initially resistant to the very idea of environmental policies back in the 1970s, as the environmental agenda stayed relevant throughout the 1980s it became clear that environmental issues had to be acknowledged by business decision-makers. Businesses and

industries were faced with the choice between complying with increasingly strict environmental regulations in the countries they established their business or moving to a country with less strict regulations.

Evidence shows that they overwhelmingly chose to remain in their place and comply with the regulations (ibid p. 130). As companies would increase their engagement in environmental policy, several organizations and fora were born. The United Nations and the International Chamber of Commerce created the World Industry Conferences on Environmental Management, the first one In 1984 with over 500 business and government leaders. The second one gave birth to the Business Charter for Sustainable Development, a set of 16 principles for environmental management.

The input that might help mobilize environmental needs towards innovation frameworks depends on businesses lobbying in international climate negotiations with the goal of unlocking regulations that make innovation the only alternative. The idea that regulation can drive rather than hinder competitiveness Is not actually new. To the extent that competitiveness depends on innovation, good regulation can trigger innovation that may partially or more than fully offset the costs of complying with them (Porter and Linde 1995, p. 3). What we know as the Porter hypothesis is the idea that certain governmental restrictions might be beneficial to business to the extent that it forces firms to innovate (Porter 1990, p. 104).

THE CORPORATE DIPLOMACY OF INNOVATION

After all, within a company, innovation can spring from technology, for sure, but also from the finance department, customer relationship protocols, marketing insights, human resources policy and virtually every realm of a business. Why not in corporate diplomacy?

One key aspect of international negotiation that one must bear in mind is that seldom do parties act or think as one single, coherent bloc. White it might be that one country plays a certain role in the international field, its position is the product of several internal factors pushing one way or another. An insightful explanation of how domestic and international dynamics influence each other can be found in Putnam's classical definition of a two-level strategy. As Robert Putnam (1988) puts it, quoting the trailblazing work of Walton and McKersie (1965), "unitary-actor assumption is often radically misleading."

Following such reasoning, it is up to businesses to influence governments on the content of the environmental legislation they should pitch in international climate negotiations, aiming for policies that leave businesses no alternative rather than invest in innovation – the key driver of competitiveness in the contemporary global economy. The question then becomes: given this state of affairs, how can we (if at all) enact cities and businesses as pressing stakeholders in climate diplomacy, especially in contexts where national governments seem to resist progressive environmental policies?

A great deal of the challenges is addressed by conquering the hearts and mlnds of business leaders. The overwhelming challenge of curbing greenhouse gas emissions and reaching net-zero carbon emissions by 2050 is a matter of survival for humanity, one that cannot possibly be addressed unless private businesses engage thoroughly. The fact that such a level of engagement mlght lead to increases in productivity is the one decision-making input that nobody can afford to ignore. It is up to business leaders to make such a case clearly to society and to government authorities and policymakers, especially given the upcoming international climate summits in Kunming (China) and Glasgow (United Kingdom), later in 2021. ///

KEYS TAKEAWAYS

- Climate change is everyone's problem, to the extent that it affects life on Earth and people and businesses from every walk of life.
- Success in global efforts of climate mitigation, adaptation and restoration can only be achieved if ever single stakeholder engages with their very best assets, from nations, to cities and, especially, businesses.
- Global climate efforts can prompt a world of unprecedented market opportunities. Business should bear that potential In mind and take the opportunity of climate change to boost their innovation pipelines.
- That mindset should be made clear for government decision-makers and policy-makers engaged international climate change negotiations, such as the upcoming COP 15 and COP 25.

GAME-CHANGER: MAKING THE CASE FOR IMPACT INVESTING

> **Impact investments not only do good to society, they also do good to your portfolio.**

Alexandre Sion, ESSEC Business School Runner-up in the 2021 CoBS student CSR article competition, explores the challenges impact investing faces on the world's capital markets and the success factors that institutions and investors can help craft.

Every other Sunday, I speak to my neighbors. We catch up on the latest in our daily lives, and from time to time discuss our thoughts on some investment opportunities. Yet we invariably draw the same conclusions: there's no free lunch and always think ahead.

Looking at the historical data of the S&P 500, you could say that over the past 40 years this was undoubtedly a winning strategy. But the spectrum of international capital markets is shifting irreversibly in a way that leaves more than one dumbfounded. Negative oil prices in 2020. The unexpected surge of bitcoin. Even the surreal demise of certain Hedge Funds in their shorting strategy of GameStop.

This environment has generated much confusion, and a fair deal of anxiety among ordinary investors, wary to fall upon stable and profitable classes of assets. At the same time, one shouldn't ignore that investors come in all shapes and sizes: some are in for the short-term, while others look at the next decades; some abhor risk while others crave for high returns. At the same time, we observe a lot of good will around us in trying to successfully tackle the issues involving climate change and social inequality. Yet we also realize that with limited financing capabilities, many initiatives risk being put back on the shelf. We therefore understand that the fundamental question is whether our current financing systems are compatible with ethically, socially and environmentally sustainable trends. In other words, can finance, as we know it, save the world?

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AN IRREVERSIBLE TREND

According to the Global Impact Investing Network (GIIN), impact investments are "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return". What's quite remarkable is that we aren't exactly speaking about socially responsible investments. Impact investing goes way beyond, as not only does it demand that a certain number of environmental and social criteria be met, but also requires a minimal rate of return, as any traditional investment would offer. In 2020, the GIIN reported that over 67% of all impact investments were expected to deliver market-rate returns. In fact, when the GIIN asked investors if they were satisfied with their returns, over 88% said their investments were at least in line or even outperforming their initial expectations. And we are just at the beginning of the trend: according to PwC, assets in sustainable investment products in Europe will triple, reaching a staggering € 7.6 trillion by 2025. This is a fundamental game changer, as impact investing has the potential to unleash mountains of capital to serve the interests of the sustainable society we crave for. Ultimately, it is the undeniable proof that we are able to successfully and optimally combine capitalism and our aspirations for a global pattern towards sustainability.

Yet in order for this trend to materialise, it can't be taken lightly. By collectively adhering to impact investing, we will be upping the ante for corporations to reevaluate their degree of exposure to socially and environmentally responsible standards. We see this in an increasing number of annual reports, especially in CAC40 companies here in France, where the declaration of extra-financial performance report is an increasingly scrutinized document by investors, to the point that they must be audited by certified parties. Whether Air Liquide, Schneider Electric, LVMH or L'Oréal, all have demonstrated a willingness to disclose their involvement in these issues, and ultimately report the impact they have on matters related to socially responsible practices and the environment. This trend will certainly be bolstered in the coming years not only because of the risk of losing investor capital, but also thanks to the increasing legislative apparatus put into place, especially in Europe. As an example, the 2014/95/UE directive of the European Union imposes large corporations with more than 500 employees to disclose information regarding the way they deal with socially or environmentally related issues. At a national level, France has created legislation in this respect, especially the law PACTE in 2019, allowing companies to include in their official statutes their purpose (raison d'être in French). The extent of this law stretches beyond conventional responsible publicity, but rather legally binds corporations to the mission they declare for themselves.

If the regulatory environment is becoming increasingly favorable for these types of investments, there are also some risks to factor in the equation. It is common knowledge that greenwashing is all the rage these days, especially when it comes to corporate responsibility. However, a few days before writing this article, the European Union issued on March 10 new rules not only designed to avoid greenwashing, but to also bring, perhaps, a semblance of structure to a very new realm of finance. Under the new regulatory push, investment products will now have to be classified as "sustainable" or "non-sustainable", with fund managers having to subsequently be compelled to undergo tough disclosures. In other words, thanks to this milestone, it has never been safer and more credible to invest in ESG funds.

OUR COLLECTIVE EFFORT STARTS INDIVIDUALLY

In order to exploit the full potential impact investing has to offer, we should start by aggregating individual efforts. One way is to target employee pension choices towards ESG funds. According to David Macdonald, founder of The Path, an advisory firm specialising in impact investing "moving a £100,000 pension pot with a traditional portfolio (...) to a positive impact portfolio is the equivalent of taking five or six cars off the road a year."

This has the advantage of taking a highly personalised approach. As you're the one who ultimately decides what you put in your pension, you choose what are your 'red lines' (not investing in tobacco, alcohol or fashion for example) and what your appetite for risk is. Therefore, it appears to be much easier to invest in financial products generating impact if you are already convinced of the environmental and social fights you pick. In other words, impact investing can turn out to be a long-lasting success if individual investors work out their priorities while building diversified portfolios.

And if one can be concerned about the availability of such funds, in particular for pensions, these are proliferating at an impressive rate. Whether Aviva, or BNP Paribas, all are increasingly incorporating ESG principles while developing such responsible funds.

ACCELERATING THE TREND: BREAKING INTO PUBLIC EQUITY MARKETS

As said earlier in this article, impact investments not only do good to society, they also do good to your portfolio. Last February, a Moody's report forecast that ESG investments will be the main driver of assets under management in 2021. However, even though the forces behind impact investing are gaining pace, it risks bypassing a key solution to open up this opportunity for a vast array of investors. We know that, from a historical standpoint, public equity markets have been overlooked by the impact ecosystem, the former favoring more traditional instruments like fixed income or private market financing. The problem with these tools, especially private market financing, is that they don't offer the same scalability and access as public equity markets do.

The idea is the following: if you buy stocks on capital markets from a company, the probability that you are going to generate impact is remote. In order to create impact in ESG fields it could, therefore, be more accurate to concentrate on private markets. The main advantage of public equity markets compared to the traditional stock market is the possibility to operate additionality. This concept, born in microfinance, shows that if it weren't for this specific capital, a particular sustainable project could not have seen the light of day and created impact. In other words, the capital you invest is directly linked to the specific business generating impact. Hence, the capital generated impact.

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This is quite an attractive idea in theory. Yet, as mentioned earlier, the issue with these private financing platforms is their limited scalability, while we know that the issues with which impact investing grapple require much higher amounts of capital. The alternative is therefore combining the agility and proximity of public equity markets with the concept of additionality, by binding together additionality through the investor's contribution, through the investee's business model and through the asset class. This is what the fund manager BlackRock has initiated, by offering its clients the possibility to invest in funds dedicated to companies respecting the United Nation's Sustainable Development Goals (SDGs), notably through its fund BLK Impact Universe.

Additionality through the investor's contribution can be achieved in various ways. The investment should first be undertaken with a long-term ownership mindset, enabling the target company to achieve its long-term goals and build meaningful impact. These investors can also bring in capital directly, without having to go through an IPO, when the company needs funds (even though its stock is temporarily unattractive). Investors can, finally, keep a close eye on key KPIs relating to specific environmental and social standards, to keep the corporation in check.

On top of what's been said regarding the investor's contribution, the success of impact financing through public equity markets may only be achieved if the company is willing to operate with innovative business models and place at the center of their operations the impact it seeks. This last condition could be called the "materiality" criteria, and it could require, for example, that a certain percentage of revenue ensures that a major environmental or social issue is solved.

Ultimately, we understand the crucial role finance will have to play in deploying sustainable solutions for the future. Yet the forms in which this will materialise still remain unclear. Our chance is to be able to be a part of the crafting of these new paradigms, practices and patterns. Impact investing should undoubtedly be integrated within them, perhaps even at the center of global financing schemes. Time will tell. ///

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KEYS TAKEAWAYS

- Impact investing has the potential to achieve successful investments in environmental and socially responsible practices while guaranteeing market returns.
- By collectively adhering to impact investing, we will be upping the ante for corporations to keep a close eye on their impact regarding ESG criteria.
- A strong first step is taking a look at pensions and compelling individuals to shift their savings into ESG portfolios.
- To accelerate the trend, a powerful solution is to deploy the possibilities of impact investing in public equity markets, in order to shore up accessibility, additionality and scalability of impact investments.

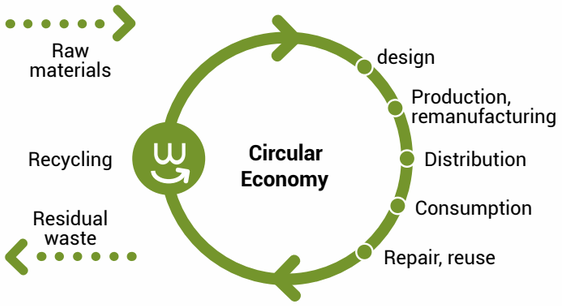
THE CIRCULAR ECONOMY AND BIOMIMICRY FOR SUSTAINABILITY

Dat Tien Dinh, **IE Business School** Runner-up in the 2021 CoBS student CSR article competition, looks at how nature and biomimicry can help the circular economy change the world – for the better.

> **Biomimicry can help steer humanity into a sustainable world thanks to its principles.**

Please close your eyes for thirty seconds and imagine you are standing in a small village surrounded by a picturesque forest. If you are lucky enough, then you will see turtles basking near a blue stream or a family of wild boars ambling together while walking in the forest. The forest and these animals are part of my community and a remark for my childhood. One day, the night-blooming jessamine, the banyan tree, and many other natural elements of my youth are destroyed and replaced by emotionless high-rise buildings, shut-in gates, and silent hallways. In the best-case scenario, the wild boar and the turtles would get moving deep into the forest, but the typical situation for them is to end up in some restaurant nearby. My community shrugs off the heavy, jungly blanket of the past into a fledgling young city. Many of my villagers salute the changes now that they have a better life, with ample opportunities to break the cycle of poverty; however, all of us agree that the sacrifice is too hurtful and, more grimly, irreversible. To comfort our loss, one of the urban designers once said:» Human intelligence and demand have surpassed what Mother Nature can provide; hence, it is time for our mature children to break free from the Mother. Twelve thousand years into civilization, humankind remains only a rebellious and immature teenager who is too confident with our achievements and heartless toward our Earthen family (Mother Nature, fellow animals, and plants). In the context of solving the conundrum of economic development

and environmental protection, I consider myself a creative problem solver and a dedicated investigator for optimal solutions. In the mists of an unsustainable future, I see the light at the end of the tunnel, this time with Circular Economy and Biomimicry. As a guiding principle, a circular economy is a systemic approach aiming to decouple growth from finite resource consumption gradually. Biomimicry is the skill, the mindset, and a collaborated discipline between biologists and engineers to mimic nature to create environmentally-friendly innovations and solutions. Under the Biomimicry's perspective, all sustainable solutions should reduce the exploitation rate of nature and adopt environmentally friendly practices into all aspects of economics, businesses, and daily living. Organizations of both private and public sectors have their roles in leveraging their innovation capacities from learning from nature and nature the values and loves of their community toward a sustainable world.



The Basic Illustration of a Circular Economy Model, adapting from EU Political Report[1]

CIRCULAR ECONOMY: AN ECONOMY LIKE A REDWOOD FOREST

Let start with an example of Circular Economy from mother nature. Within a redwood forest, many plants need extensive sunlight to grow, not to mention the backing from their parent trees and other family members. The redwood trees utilize the sunlight to rapidly bring on strong bark and trunk to avoid high winds and large animals. The cost of growth is these trees only have a shallow root system. However, redwood roots are all intricately intertwined, which empowers them to resist fierce forces such as floods or strong winds. A dying tree would even give back nutrition to smaller, burgeoning plants (Benyus 250). Learned from nature, businesses and government organizations must build up a society with a high recycling rate and reusing materials. Some good practices are: improving the easiness to recycle, developing more durable products, and encouraging the sharing economy.
In biological terms, species like redwood trees are called K-selected. Species K-selected provide long caring time on average, share the resources with their offspring, and teach them various survival skills. Our economies must follow these principles. For example, a company that produces mass but low-quality products should concentrate on the product's durability and encourage sharing between customers. The keywords are: Product-as-a-Service (PaaS). Through this practice, customers share the product between themselves, while producers put tremendous care into their products' durability. For example, Uber allows car owners to share their vehicles when they are not using them. Uber's customers then also benefit from not spending a large sum of money to own a car of their own, thus reducing demand for car manufacture. Less production means less stress on nature for raw, virgin materials.

MANAGING RESOURCES: THE NATURE'S WAY

Implementing a Circular Economy is not an easy feat, but nature has offered us guidance. Since the appearance of the first living organism, the Earth has mastered resource management to ensure life continuity. The first principle it abides by is to recycle, first and foremost with resource loops, such as carbon cycles and nitro cycles – «all waste is food» (Benyus 255). Waste and corpses of animals provide nutrition for the plants to grow and other animals to feed on. The interconnectedness of the food web thus sustains the Earth for billions of years.
Second, the best predator in nature does not eliminate its prey (Benyus 296). This principle translates into (1) not consuming non-renewable resources higher than the rate of finding substitutions and (2) not draining renewable resources faster than their regenerative rate. For example, nature fits shape to function effectively, such as how the hierarchical structure of a lotus leaf's surface creates a water-proof property. The better our design can simplify the production processes and build multifunctional structures, the fewer devices and equipment we need. These multifunctional materials show better recyclability and create efficiency and sustainability in production and consumption. For example, most traditional batteries utilize metal oxides as electrode-active materials, while these materials are not renewable resources. One research initiative is to develop an organic battery based on radical organic polymers. Preliminary research of this material has shown an edge over traditional batteries. The benefits are high recyclability, safety, adaptability to the wet fabrication process, and extraction of starting material from less limited resources (Anastas and Zimmerman 2013).

THE PRINCIPLES: INTERDEPENDENCE IN INDEPENDENCE

Economists and sociologists believe the economic interactions between individuals and entities create complex and ever-changing systems; hence, it is impossible to control the economic system worldwide. However, an ecosystem also hosts numerous communities where thousands of species interact every second. Just as in a human economy, they hunt for food, fight for land, plants transforming solar energy into chemical and biological ones, and countless other activities. Notwithstanding the dynamics, some principles remain immutable to ensure the sustainability of the community. There is always collaboration and diversification within and between species. They tend to find their non-competing niches to allow for resource distribution. For example, nocturnal animals and diurnal animals do not hunt in conflict. Other species cooperate. Lichen is made up of algae and fungi, for instance, where the former harvest solar energy and the latter provide a safe support structure (Benyus 258). Competition only occurs when resources are limited and all the niches are colonized. Currently, there is much pre-competitive cooperation, for example, in the Vehicle Recycling Partnership between Chrysler, Ford, and General Motors, which creates «common labeling and material standards, which will allow them to reuse each other parts» (Benyus 259-260). This partnership for recycling is essential to the circular economy and can be a model for future collaborations among businesses.
Interdependence between businesses can work to the environment's advantage, but does it have the same effect between nations? It is irrefutable that international trade between countries provides occupations, wealth, and innovation worldwide. International trade can also increase the availability of resources worldwide and allow countries to specialize and diversify their economy. However, because the resources are easy to transfer worldwide, humans overlook optimizing local resources. The availability of resources via international trade has promoted consumerism, thus exacerbating resource exploitation. Moreover, in 2016, the transportation of resources accounted for over 24% of CO^2 emissions worldwide (Wang, Shiying, and Mengpin 2019).

There is a must for local government to promote and utilize local goods, such as local cuisine and well-rounded local services. The self-reliance movement will guide humans toward optimizing local resources and minimizing environmental impacts from transportation (Benyus 276).

BIOMIMICRY: FROM KINGFISHER BEAD TO BULLET TRAIN

Composed of many stakeholders, our economy caters to diverse, conflicting wants and needs: consumers for a convenient life, businesses to maximize profits, scientists for inventions and technologies. Regardless of their positions and roles in our society and economy, Biomimicry can help steer humanity into a sustainable world thanks to its principles. Biomimicry's principles can guide humans into sustainable consumption and production and bring into service nature's knowledge to develop profitable and sustainable innovations. One case study is the Shinkansen, a bullet train in Japan. According to Sunni Robertson of the San Diego Zoo, a center for biomimicry research and education, Japan in the late '90s achieved a breakthrough in transportation technology which allowed trains to move at 300 kilometers per hour. However, this bullet train faced sound pollution problems due to the train hitting the cushion of air building up in front of the speeding train. The booming noise disturbed the wildlife and nearby citizens. At that time, Japanese engineers were walking in the park when they saw a kingfisher bird fly at a sonic speed into the water, all in a smooth splash. Amazed, the engineers came to see biologists, and they recognized the miracle lay in the large head and a long, narrow beak. With a simple change in design inspired by nature, the bullet train did away with any boom and saved 10-15% more energy because it was more aerodynamic (Robertson 2012). From Shinkansen's example, we can see the practical applications of Benyus' four crucial steps to achieve a biomimetic future.

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LEARN WITH A SUSTAINABLE WORLD IN MIND

In the mature stage ecosystem, most species have high-quality offspring because they have a greater caring and mentoring nature. This caring and mentoring can also be applied to humans. To achieve a biomimicry future, educational organizations should play a pioneering role. From primary school, the curriculum must nurture students' interests and skills in nature observation and appreciation. Schools should popularize field trips to nature, and teachers familiarize students with bio-inspired products. Sustainability should also be a core value in the educational philosophy. Environmental science might be made a credited subject along with an interdisciplinary approach connecting engineering and biology. Lessons can be bio-inspired and project-based, introducing the concept of the Circular Economy and its principles. Educating students at a young age can guide them to value biomimicry and sustainability toward a biomimicry future.

In short, the Earth is our home, and nature is our model, measure, mentor, and also Mother. If society acknowledges that nature is a library full of 4 billion years of knowledge and a great innovation source, they will not cut down the trees and kill the species. If they know that the Circular Economy can create multiple billion-dollar unicorn start-ups and sustainable-profitable business models, they will stop the linear economy's practices. Currently, the Circular Economy is lacking strategic guidelines and standardization. On the other hand, scholars are still questioning the achievability and desirability of biomimetic products. Although challenges are ahead and you now know the main principles, how would you internalize these concepts into your organizations and communities? ///

KEYS TAKEAWAYS

- Economic development need not be at the cost of the environment, which is not an inevitable path.
- Nature is a knowledge library 4 billion years of age, from which we can learn to leverage our innovative capacities.
- Organizations must ensure their products have a high recycling rate and reusing materials, with products easier to recycle, more durable, and shared.
- Biomimicry's principles can guide humans into sustainable consumption and production and urge them to utilize nature's knowledge to create profitable and sustainable innovations.
- Sustainability and Circular Economy must be at the core of our educational philosophy, nurturing citizens' love for nature during production and consumption.
- Earth is home, and nature is our model, measure, mentor, and Mother. If we can humbly respect Mother Earth, we will save our planet and ensure future prosperity.

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MORAL MONEY – THE GOOD, THE BAD AND THE UGLY

Anna Victoria Couri, ESSEC Business School Runner-up in the Council's 2021 student CSR competition, looks at ESGs and how to render impact initiatives effective and true.

> **The real impact on the environment is bound by the structural inequalities between the small and big players on the market.**

The sudden rise in so-called impact initiatives, mostly through environmental, social and governance labels (ESG), and the creative minds of corporations, is progressively revamping our perception of priorities as citizens, consumers and investors.

Today, over 58% of companies in the S&P 500 index publish sustainability reports. As worry widens about climate change, social integrity and ethics in business, people are awakening to the impact of their consuming choices. They are ascertaining that the way they splurge is as likely (or even more) to echo on the environment than the way they vote.

However, with a plethora of lingo and yet no digestible criteria, consumers are being fed terms such as green finance, impact investing and socially responsible finance. How to navigate the world of ESG and achieve a fair compromise?

VALUE IS KING

Beyond profit, what makes us tick? Between traditional beliefs and new technologies, the intra-disciplinary term "value" has as many definitions as there are beliefs and communities. The Scandinavian philosophy "lagom" describes value as living in perfect balance, promoting an ecologically responsible mindset and collective accountability. On the other side of the globe, the Native American Navajo place the highest value

on sharing what they own – of course, the gifts are without expectations. Value for the greater good means creating value for all stakeholders: clients, investors, employees, communities, future generations and the environment.

How can this be achieved in the realm of global finance? The notion of Socially Responsible Investing (SRI) refers to investment strategies whereby investors aim to align ESG concerns with their financial goals. Although not formally known as SRI, this strategy has been around for a while; SRI has evolved alongside the global political climate since the 1920s and has shaped the modern era as we know it. Fast forward to the 1960s, the Vietnam War, human, civil rights and labour issues were concerns that socially conscious investors sought to address. Among all the worthwhile stories with respect to SRI, the end of Apartheid in South Africa was paramount to success. However, it was easier then because there were no scientific theses to defend. Nowadays, SRI must be integrated into many calculations and chain-events that are intricate to quantify impact.

DEMYSTIFYING THE THREE PROBLEMS WITH SOCIAL INVESTING

The scope of social investing encompasses clear-cut tenets such as sustainable and responsible investing (SRI), impact investing, triple bottom line investing (TBL) – People, Planet, Profit –, "green" or ethical investing and many more. However, these investment strategies can be problematic:

• **Problem 1:** SRI narrowly refers to practices that aim to avoid social and environmental damage through the sole use of negative screening of companies that engage in detrimental activities. But ruling out prodigal companies isn't enough – this "half-impact" approach fails to take into account positive criteria devised to seek companies engaging in sustainable practices, such as clean technologies. According to investor Amy Domini, shareholder advocacy and community investing are the foundations of SRI and the use of negative screening is meagre in "high impact" investing.

• **Problem 2:** The proliferation of shades of green in sustainability is misleading. As new accounting measures calculating the 'carbon footprint' or greenhouse gases (GHG) emission are putting companies under growing pressure to decarbonise, the EU Emissions Trading System (2005), has put into practice the principle that the polluter should pay through the "cap & trade" scheme. However, this mechanism is not necessarily regenerative; in fact, carbon credits are being created from carbon sequestrations that already exist (just not previously accounted for), thus, creating more wealth for intermediaries, like brokers, and not providing the actual impact society expects when one reads an investment teaser labelled "green bond", or buys a product sold as "carbon neutral".

At the end of the day, the real impact on the environment is bound by the structural inequalities between the small and big players on the market. Larger companies have the means for buying-out smaller-scale ones, inevitably forging a free-pass for firms to continue polluting and thus fuelling the unevenness between companies. Subsequently, this makes us wonder if regulating the carbon market is the appropriate apparatus to undertake the climate challenge?

• **Problem 3:** How do we measure the impact of our money? There is no universal standard method for calculating impacts in ESG. Sustainability reporting should be subjected to the same level of scrutiny as financial reporting; the lack of consistent ESG reporting makes it difficult for us, consumers, and investors, to assess companies even when they report ESG performance.

This inconsistency is reflected in the rating system – often based on business models rather than businesses themselves. As long as the business operations are sustainable, the products sold do not matter.

Indeed, it is exceedingly difficult to come up with a global standard to ESG impacts in everyday items, because in different geographies the cost of adapting to lower GHG is prohibitive. For instance, the forest code in Brazil states that only 50% of private agriculture-ready land can be ploughed because of the biome in which they are located. Should consumers be forced to pay a premium for that crop, compared to the same crop grown in the US where there is no forest code, or simply force farmers to make do with a lower income? So, for the sake of stricter environmental compliance, must social welfare suffer? In effect, achieving a compromise is easier said than done.

As consumers, how do we address this issue? On the one hand, a company's ultimate objective is to increase shareholder value and make profit. On the other hand, per the universal law of supply and demand, companies respond to demand. Perhaps the compelling revolution we are all waiting to witness starts in our own choices. We tend to have short memory and easily move on from corporate scandals, but this needs to change. If demand changes, won't companies follow the lead?

DON'T FALL FOR THE GREENWASHING TRAP!

"Nowadays, every second fund is claiming it is in some way sustainable", says Marcus Björksten, manager of Europe's best-performing sustainable fund. 78% of asset owners incorporate ESG criteria in their investment strategies and a growing number of funds are rebranding to ESG. Nonetheless, many funds marketed on their green credentials still invest in fossil fuels. ESG has become part of mainstream marketing – without some way to police the way it is used, ESG risks being reduced to a marketing strategy.

Corporations believe they can "wipe their carbon slate clean" by planting trees. They claim to balance their carbon equation through their state-of-the-art sustainable commitments in hopes to even out their unscrupulous behaviour. Such phenomenon sheds light upon the shortcomings of the Framing Effect; this bias occurs when our decisions are influenced by the way information is presented. When shopping, people like to think they are doing "the right thing" – and greenwashing appears to be an updated rendition of such bias, one that is inherent to the capitalist mode of production. In the 2000s, McDonald's switched their logo colour from red to green: this is a simple but powerful illustration of how companies exploit heuristics biases of consumers.

While "wiping the carbon slate" is already knotty, doing so in line with labour rights seems to be all the more onerous. Known for popular chocolate goodies like Butterfinger and Crunch, Nestlé alleges to be ending child labour. The food giant designed the Nestle Cocoa Plan to address the root causes of child labour in West Africa. Conversely, a 2019 class-action lawsuit against Nestle claims their "sustainably sourced cocoa beans" are no such thing, quite the opposite: Nestle is allegedly blamed for the substantial deforestation. After all, one can't just be committed to positive impact, one must also appear committed. The crux of the problem is that companies only have soft and often self-imposed limits – evidencing the real lack of hard rules on ESG.

THE DEED NEEDS TO BE DONE

Unfortunately, ESG is still perceived by a great number of organisations as a factor independent of commercial success, yet they are an integral part of the creation of value and competitive advantage. More than focusing on the social and commercial span, efforts should be directed to innovation and growth.

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Alternatively, fostering an environment in which companies can concede their missteps as well as trumpet their success has never been more crucial – such is the imperativeness of the environmental crisis. If we continue to pour scorn on those who dare fail, the innovation and boldness necessary to move forward in Corporate Social Responsibility runs the risk of relapsing in a hostile environment.

Recently, the food and beverage multinational corporation Danone, pledged to commit to more sustainable practices, yet, current activist CEO Emmanuel Faber was ousted for his "questionable allocation choices". Indeed, Danone is perceived to have failed to meet its financial targets by putting people and the planet before profit. One must ask again then: are we consumers and investors prepared to eventually have lower capital returns counterbalanced by greater impact. And if so, are governments ready to provide incentives, like income tax breaks, to alleviate the burden in doing so?

A SHIFT IN THE ECOSYSTEM: A FAIR BARGAIN FOR ALL

More than ever, the European Commission is pushing to fund the green transition with regulations striving for greater transparency. One of the pillars of the EU's Green Deal is the decree for companies and funds to disclose all ESG risks. This is good news not only for investment professionals, but for us, consumers, who inspect food labels for nutrients and origin before adding products to our carts.

In line with TBL is the initiative UN Global Compact (2000), setting forth 10 guiding principles around the matters of human rights, environment protection and anti-corruption. Annually, participants are invited to confer the way governments, corporations, and non-profits can cooperate better in order to tackle the challenges of sustainable development. However, the Compact is non-binding and is used as a public relation tool rather than spurring change. Should these guiding principles develop into regulation, this would be the commencement of a new era for capitalism.

For better or for worse, technology is here to stay and is pivotal to upturning the environmental crisis. Sam Altman, CEO of OpenAI: "A great future isn't complicated: we need technology to create it and policy to fairly distribute it". It is crystal clear that we are equipped with the former and it is now in our hands to conceive the latter. 2020 has proven to be a decisive year in the technological breakthrough of clean-tech. Across all sectors, clean-tech companies are responding to the challenges of sustainability for the sake of traceability of supply-chain, collaborative economy, and biotechnologies to increase the shelf-life of food and avoid the level of waste occurring in the Western society.

Ultimately, a new spirit of ESG is on its way as regulation tightens and awareness raises, enabling the creation of value for all parties involved – us citizens, clients, investors and the environment. But to do more for other stakeholders, executives need to change the rules of corporate governance and politicians need to change international regulation. The success of a green capitalism and a better future depend on this accord. ///

KEYS TAKEAWAYS

- To achieve a fair bargain between parties, we must understand what "value for the greater good" implies.
- SRI refers to investment strategies aligning ESG with profit. However, it is not without its faults. SRI fails to make a substantial difference due to negative screening, the growing number of shades of green in sustainability measures and the lack of a universal standard method for ESG.
- "Greenwashing" is another major obstacle to the success of social investing. Corporations are rebranding to the ESG label and 'wiping their carbon slate' for commercial purposes.
- It is quintessential to create a safe space for shortcomings as companies take risks to innovate and tackle the challenges of sustainability.
- The ESG ecosystem is shifting as regulation tightens; technology can be an ally to make everyday products more sustainable.

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THE CIRCULAR ECONOMY: MORE THAN A BUZZWORD

> There are clearly vast benefits to be had in a society that has as little waste as possible.

Sophie Hayes, Trinity Business School Runner-up in the 2021 CoBS student CSR article competition, explores sustainability through the circular economy, its many benefits and major challenges.

When COVID-19 first hit Europe a little over a year ago, shops across the continent were forced to close. Seemingly overnight, online shopping became the norm. While some struggled with not being able to try on clothes before purchasing them, or with long shipping waits, the people of Ireland[1] faced a different problem altogether. Primark has no online shopping platform. Where would we purchase our three euro t-shirts and our two euro packs of ankle socks? The question may seem trivial, but it was genuine. There are 37 branches of the fast fashion shop across the Republic of Ireland and following the second lockdown, their reopening in December 2020 broke their daily sales records two days running, with queues of customers wrapped around shops nationwide[2].

If I were to ask my grandparents how often they bought new socks when they were in their twenties, the answer would certainly not be every month like I would answer. Instead, their generation repaired what they owned, and clothing was purposely made of a higher quality so that it would last. If the likes of Penneys had existed 50 or 60 years ago, its shutting down for a few months would not have sent the country into disarray.

What then, is the problem? To use a cliché – they don't make them like they used to. There is a deeply ingrained throwaway culture in MEDCs, and we as consumers continuously trade-

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off quality for low-cost and ease. We ignore the cognitive dissonance caused by these habits and hold ourselves to low standards with regard to conscious consumerism, compartmentalising our discomfort. This extends beyond fast fashion and into what we eat, how we travel and even how we recycle. We say that we want ethical and sustainable options, spurred on by activists like Sir David Attenborough, Greta Thurnberg, and the late Berta Cáceres, but this is not truly the case. Research suggests that we are increasingly worried about protecting the planet, with 65% of consumers wanting brands to advocate for sustainability. However, in reality only 26% of consumers actually buy from brands that do so[3].

Yet, our concerns are warranted and the United Nations project that we have nine years left before the majority of the effects of climate change become irreversible[4]. Companies need a solution that satisfies Elkington's triple bottom line of people, planet and profit[5]. Something that considers the planet as a stakeholder, without forgetting the existence and importance of shareholders. The solution is to create a global circular economy, an idea that has been gaining popularity as a theory since the late seventies[6], and has come to the forefront of sustainable planning discourse in recent years. But what is the circular economy?

Most companies and organisations operate under the linear economy, which turns raw materials into goods that are used and then disposed of[7]. The circular economy, in its most ambitious form, seeks to eliminate waste entirely[8]. It is a model that keeps products and materials in circulation for as long as possible. Its priority is to reduce the amount of resources used, then to reuse these resources until depletion, and to recycle anything leftover[9]. By 2030[10], we could potentially gain $4.5 trillion if we switch from the linear economy to a circular one, and many companies are already engaging in circular practice[11]. For us as consumers, it means better quality products and lower overall costs.

In some industries, the circular economy takes the form of a subscription service. Vigga, a Danish children's clothing company, saw waste in how quickly children outgrow clothes[12]. In 2016, 1,413 tonnes of textiles were purchased in the form of baby clothing in Denmark[13]. That amounts to slightly more than 20 kg of clothes per baby[14]. Vigga sends parents bundles of clothes that will fit their children. When the child outgrows the bundle, the parents return the clothes. The clothes are washed, repaired and sent out to a new family, while the original child receives a new bundle of clothes that will fit[15]. For Vigga to work, fast fashion cannot be engaged in at all. Clothing must be basic, of a high quality and removed from fashion trends.

In the technology industry, the circular economy is more focused on take-back schemes. The European Recycling Platform (ERP) collects batteries and electronic waste. They shred batteries, recover potentially poisonous metals, and send them to smelters who ensure they are fit for industrial use. This process is repeated for large home appliances like washing machines, televisions, and fridges, as well as smaller appliances like kettles and irons. The appliances are decontaminated, stripped of parts that can be reused, and then sent away for further processing and recovery. The recovered materials are then returned to industry[16]. US start-up HYLA mobile operates under a similar system with a trade-in program for old mobile phones. The phones are cleared of any personal data and upgraded with new software so that they can be put back into the market[17].

With creativity, there is a wide scope for industries to change the way in which they make value. Instead of buying new, the likes of Vigga, ERP and HYLA are part of the revolution that emphasises using goods until they are absolutely no longer fit for purpose. If every newborn in Denmark was signed up to Vigga, and if each bundle of clothing was used only five times, the amount of textile waste produced by Danish babies would decrease by 80 percent. Currently, ERP can recover between 50 and 90 percent of batteries[18], and HYLA have succeeded in extending the life of 62 million devices, generating $6 billion in the process[19]. These companies only represent a fraction of the organisations who are currently partaking in the circular economy. Their individual potential and successes make the possibilities of a totally circular world seem miraculous. But is this too good to be true?

NOT A PERFECT SOLUTION

In its most basic form, the circular economy is not without fault. Total global implementation of a fully circular economy, where waste does not exist, is highly unlikely. If the cases of Vigga, ERP and HYLA were totally circular, then no clothes would ever be thrown out again, ERP would recover 100 percent of materials used and no new phone models would ever come into existence. Critics of the circular economy argue against endless economic growth with finite resources, and cite the three following issues as their reasoning:

1. IMPACT MEASUREMENT

For resources to be used until depletion, the added step of stripping, repairing or even just washing needs to be implemented. However, organisations must ask whether less energy is being used on this step than what would be used to create a totally new product. Prior to the pandemic, there was a huge increase in the use of reusable coffee cups. The amount of greenhouse gas emissions and energy needed to create a reusable coffee cup is equivalent to the amount needed to make anywhere from 20-1000 disposable cups[20]. At a minimum you would need to use the reusable cup 20 times, and at a maximum 1,000 times, for the environmental factor to break even. For the circular economy to do more good than harm, a similar calculation must be made that considers the environmental impact of the added processes. Quantifying impact is a necessity for this system to work, but this is not always straight-forward. Some outcomes are difficult to assign a figure to, and for businesses undertaking circular strategies accountancy figures are bound to fall short.

2. GROWING CONSUMPTION

The circular economy will undoubtedly struggle to keep pace with consumption rates. By working to eliminate waste, the circular economy focuses on restoring and using resources already in circulation. However, a balance will need to be struck in order to cater to a growing population and the ever-increasing global consumption rates. Under the Jevons paradox it is even possible that introducing a circular economy will spur increased consumption. As we consume in an increasingly ethical manner, we will inevitably feel less guilt about our purchases. This is likely to cause us to consume more frequently than we previously would have.

3. INTERSECTIONALITY

Leaders making this switch must consider all of their stakeholders. The circular economy has the potential to create millions of new jobs. However, marginalised workers in factories and mines are likely to lose theirs. It is projected that there will be 18 million new green jobs by 2030[21], but the same report suggests that one million people in the petroleum industry will lose theirs[22]. The environmental crisis is deeply intersectional and we must ask; who will get these new jobs and where will they be located? The most affected countries are also the poorest, and the countries causing the crisis are the wealthiest[23]. For Jamaicans[24], climate change is a current reality with oil pollution, contaminated groundwater, and deforestation destroying the country.[25] The Philippines were struck by torrential rainfall in 2018 that left at least 59 dead, accounting only for twelve percent of deaths caused by extreme weather in the country that year. [26] For those living in developed countries, language surrounding climate change is future oriented. Jobs focused on repair and reuse will ultimately move closer to the end-user, and the jobs lost are likely to be in LEDCs where the impact of lowered employment will be much higher.

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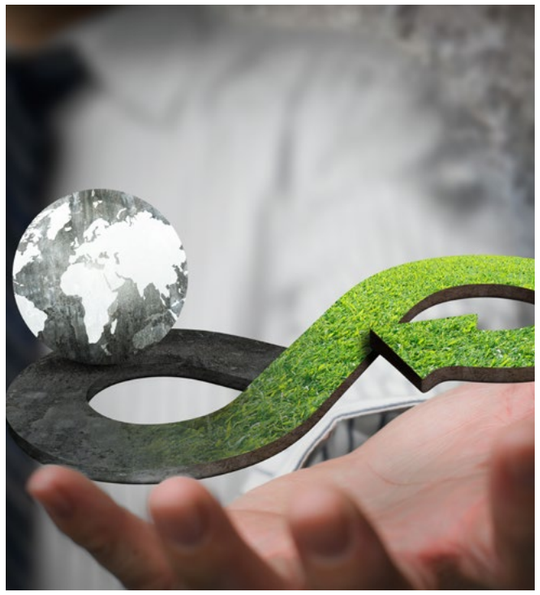
HOW CAN WE MAKE IT WORK?

We must ask ourselves if we simply want organisations to maximise the use of existing resources, or if we want them to decrease consumption totally. There will need to be a universally agreed upon measurement scheme that accounts for both the positive and negative consequences of a circular economy and considers the variety of people that will be affected. Engaging with the United Nations is possibly the only way a sustainable, global, circular economy can come to fruition. The United Nations' Sustainable Development Goals already take into consideration the interconnectivity of the problems caused by overconsumption and the climate crisis. Merging the two ideas can only create change for good. By having an international body endorse the circular economy, we can hope that all views are considered. However, we must recognise that the United Nations does not have any enforcement capabilities. The responsibility to implement ethical and circular practices will ultimately fall upon corporations.

There are clearly vast benefits to be had in a society that has as little waste as possible. Searching for ethical ways to create profitable and positive change to our consumption habits is by no means an easy task, but the success of companies that have already fully engaged in circular practices demonstrates that it is possible. Provided that the idea of a waste-free world does not lull us into a false sense of security, and that we consider those more marginalised than us, we can remain cautiously optimistic that the circular economy will make significant change to how and what we consume. ///



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KEYS TAKEAWAYS

- In response to throwaway culture there are companies who have adopted a circular approach, ranging from tackling fast fashion to electronic and chemical waste.
- No company or organisation has successfully eradicated waste, as this is not truly possible.
- Measuring the overall impact of circular practices is difficult; to be successful, the trade-offs being made, the displacement of jobs, and the disparities between how climate change affects people worldwide must be taken into account.
- Climate change does not affect all global citizens equally; any changes made to how we deal with the environment need to take into consideration the disproportionate impacts that the climate crisis has on lesser developed regions.
- For a circular economy to work there needs to be global collaboration and agreement as to the best steps forward.
- It is imperative that a circular economy does not lessen the high levels of vigilance that exist towards the climate crisis.

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CLIMATE INACTION: CHANGING NORMALCY

Marie-Sophie Roul, ESSEC Business School, looks at climate inaction through the normalcy lens and points to how to shift the focus to new understanding and positive action.

> **Our challenge today is to learn from different normalcies and find a model that can be generalised and normalised.**

An empire of knowledge has been built by humans over the centuries: we exhaustively know the consequences of our actions on our environment. I – and many others – have spent half of my history classes hearing about Limits to Growth (MIT, 1972) and the *Brundtland Report* (WCED, 1987) that question our consumer lifestyles. We have known the reality of climate change and many ways to fight it for a long time. Why, then, don't governments and companies seem to care if we preserve the habitability of our territories?

In the introduction to *Climate Crisis and the Global Green New Deal* (Noam Chomsky, Robert Pollin, 2020), the political economist C. J. Polychroniou writes that *"the most daunting obstacle to success is mounting the necessary political will to defeat [...] the global fuel industry"*. The importance of the *"will"* to provide efforts for solutions and the complexity of the interactions between the actors raise questions about mental perceptions of the matter from politicians, industrials, and, overall, individuals. For example, why would the fuel industry's interests be more important than human survival? Since knowledge and resources don't seem to be the only matter at hand, part of the answer to the question of our inaction could be found in the study of cognitive and social sciences.

The climate economist Gernot Wagner states that "COVID-19 is climate change at warp speed": a long-term, anxiety-inducing disaster, that endangers our usual comfort, against which we didn't act until thousands of people already died, and against

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which we have a limited possibility of action. Interestingly, different types of reactions could be observed among governments. From rushed measures to denial of the need for action, the palette of feelings was large, but some seemed to almost copy each other. In the case of climate change, we can notice that some countries like the United States barely even acknowledge climate change, whereas some rare governments like Sweden keep trying to lower their greenhouse gases (GHG) emissions, that are already relatively minimal. Nevertheless, the global trend is still climate inaction. What makes us persevere in what the sociologist Christian Morel would call "absurd decisions", deviating us from our supposedly common goals?

SHALL I COMPARE THEE TO CLIMATE INACTION: THOU ART MORE BIASED AND MORE TEMPERATE

The mechanism that makes us persevere in our current lifestyle, thinking that everything will remain the same, is called "normalcy bias". This cognitive mechanism can be seen as having evolutionary purposes and allows us to be sure, for example, that a meteorite won't hit our car on the way to our kids' school. However, normalcy bias also encourages us to know almost everything about long-term dangers we're facing but still be confident that our lives will remain the same – in the same way that someone would stop moving at the sight of a predator. Thomas H. Davenport, an academic specialized in analytics and cognition, explains in the MIT Sloan Management Review that these mental shortcuts have been overused during the current sanitary crisis. In the beginning of the COVID-19 crisis, normalcy bias has led politicians from the Unites States, the United Kingdom, and even Sweden, to count on herd immunity and let things happen passively while countless people died. Others would persist in implementing lockdowns or curfews during months, even when some of the measures proved to be unnecessary.

What behaviours do we persist in, simply because they are "normal"? Three come to mind: 1) our mainstream economic model – inherited from industrialisation – 2) encouraging families to have several children – inherited from times where survival was scarce 3) thinking that ecology is a personality and a luxury – inherited from the idea that humans are evil conquerors, and reinforced by miscellaneous stereotypes. These are to me three of the greatest issues driven by the normalcy bias. Consumer behaviours, putting growth and production above all else, are a very impactful symbol of our inertia. Many of us, for example, felt the eviction of the openly ecologist Emmanuel Faber from the presidency of Danone as a frustrating sign that priorities are still following the sole norm of financial indicators. Yet, the physical laws of conservation of energy and entropy show that *"green growth"* might just be an optimistic oxymoron. Economists from the University of Chicago warned that the long-term consequences of constant growth will be worse than a slow decay… and these are the same ones that trained Milton Friedman. And, way earlier, in 1966, the economist Kenneth Boulding published the article *"The Economics of the Coming Spaceship Earth" in which he states that "we are very far from having the moral, political and psychological adjustment"* to handle the fact that our resources are limited; now we hope to get closer.

ONE NORM TO RULE THEM ALL?

"Normalcy" is a mobile concept, that differs from one culture, location, or person to another. To be considered normal, a behaviour or a thinking pattern has to go through social and political "normalisation" process. Politicians like Donald Trump or Jair Bolsonaro have taken disastrous decisions, deforesting, or deciding the withdrawal for Paris agreements, yet a large portion of the population continues to endorse them. Normalcy here shows the great prevalence of the economic necessity and political power, and anything that can question these two components shall be denied. Smaller countries with advantageous lands like Costa Rica have been known to act, whereas small countries with a desertic climate like Qatar view energy as a luxury and a means of survival – and have the highest GHG emissions per capita. This climate schizophrenia is frustrating for those who know that any economic or "rational" objective behind these decisions is biased and counterproductive.

Others – politicians or companies – from developed and democratic countries, known in the past for their wealth and soft powers, publicly announce their commitment and keep steering the wheel towards normalcy lane. Australian and Canadian leaders are altogether considered climate-hypocrites by their population. Norway paradoxically holds the reputation of a climate-friendly country, but its oil and gas industry keeps following the elegant "Drill, baby, drill!" motto. And of course, agriculturally speaking, meat consumption shows many different behaviours: Asian countries drastically increased the importance of meat in their diets, whereas European countries stagnate or very slowly reduce it. *In Climate Crisis and the Global New Deal,* Noam Chomsky and Robert Pollin find modification of this industry essential; however, population growth matters and agricultural policies keep encouraging intensive agriculture, deforestation, and cattle farming.

Whether it be climate hypocrisy, greenwashing, or administrative laziness, this inaction means that society stays in an in-between state: we know the need for change, but we feel helpless. Normalcy in these conditions resides in anxiety, frustration, and distrust of our governments. Even though this analysis seems pessimistic, it announces a change in the nations' normalcy: politicians are under the international and national social pressure to act, or at least publicly acknowledge the problem.

PRIDE, PREJUDICE, AND MORE PRIDE

Don't think we are at the mercy of our normalcy. The Indian Prime Minister Narendra Modi, who used to deny climate change issues, stated in 2021 that "behavioural change […] is the most powerful way to fight [environmental] challenges". The increasingly normalised behaviour tends towards productive acknowledgement of the problem, shock that some countries can be so inactive or even deny the problem, and social and political pressure towards action – like France's condemnation for climate inaction The transition to undertake is allowing those who deny to catch up with us and use our anxiety to keep the cogs in the machine running.

We can henceforth start normalising ecology, because the environment is not an ideology; it's a system that can provide us with greater good if we respect it. Dr Ilan Kelman's review *"Axioms and actions for preventing disasters"* teaches us that measures should be relevant for all, a good investment, continuous, and even… sexy. As a mere example, I myself went from being the bacon and cheese provider at every outing to veganising my alimentation, but pollution was only my main reason: my health, my bank account, and – mostly – my cooking skills thanked me deeply for this choice.

Our challenge today is to learn from different normalcies and find a model that can be generalised and normalised. Behavioural science teaches us that experimenting on a small territory can lead to finding more global-scale solutions. Nordic countries for example show a very different normalcy than other regions of the world; for I once came across a Norwegian job offer which most important criterion was emotional intelligence. And I fell in love with Bordeaux in France at the sight of its *Maison écocitoyenne* (House of eco-citizenship), that uses culture and pedagogy to reach all citizens on topics like urban transition and our way of life.

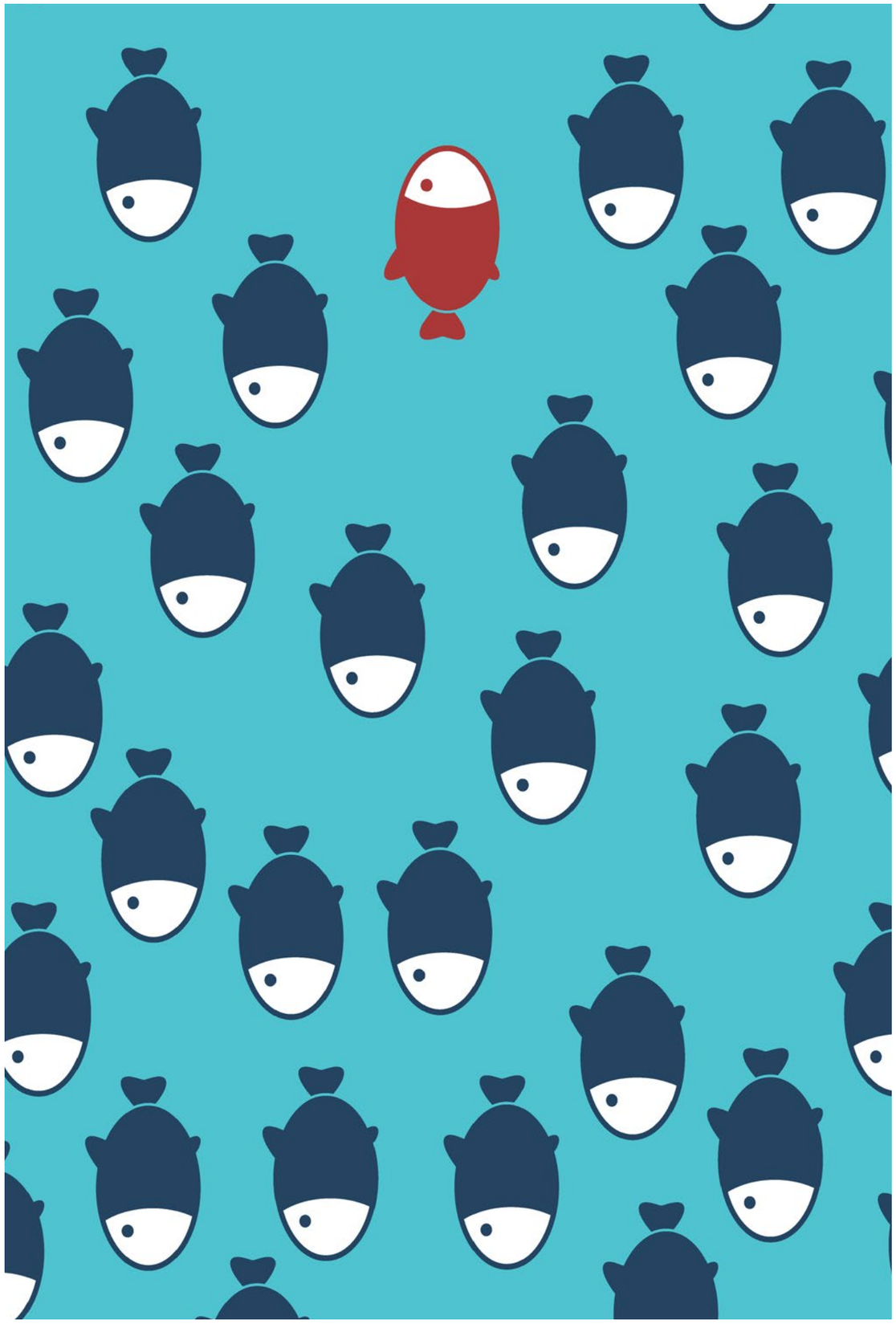
"COOPERATIVE MINDS MAKE FAIRNESS AND TRADE"

This title from the CNRS anthropologist Pascal Boyer's *Minds Make Societies – How Cognition Explains the World Humans Create* (2018) implies that our perception of justice and our economic system, built thanks to our cooperative instincts, define each other in more complex ways than we realise. Normalising climate action will not be a simple process, because there is no Atlas carrying the weight of climate. We need to start viewing social and environmental responsibility in companies, governments, and consumers as a bare minimum requirement – like fidelity in a couple, or dough in a pizza – which means we need laws, actions, results, and awareness campaigns. A generational change can also help induce intuitive change. Renewing politicians and heads of companies, as well as leaving behind the biases of gender and ethnic discrimination to remove the obstacles to collaboration and respect, will help accelerate change. Herewith, the choice of Dr Ngozi Okonjo-Iweala to lead the World Trade Organisation is a concrete symbol of progress. Cooperation is also essential because of the intrinsic interdisciplinary characteristics of environmental sciences: finding a common ground to tackle such complex challenges require different kinds of experts, from different horizons, but with the same goal: behavioural scientists, economists and geologists could systematically work together, in research, industries and governments. The study "The role of trust in citizen acceptance of climate policy: Comparing perceptions of government competence, integrity and value similarity" published in Ecological Economics teaches a lot about how these three components to implement a great collaboration: more than optimism and utopia, this is a call for intelligent action.

In today's internationalised system, we have the possibility to share and cooperate. Noam Chomsky and Robert Pollin urge for a *Global* Green New Deal. Collaboration and financing by richer countries can help handle negative externalities of degrowth and investments in the necessary sectors, but the other cogs will have to follow.

EMPOWER AND EDUCATE

The more incompatible our current "normal" lifestyle is with environmental challenges, the more we want to hang on to it. Identifying normalcy biases will take international action from governments and companies to raise awareness, engage degrowth and increase energetic efficiency. In this context, climate inaction is not a fatality, but it's the turning point of the transition that we rapidly need to take advantage of, to switch the focus from global economics to more individual-centred concerns like health, solidarity, and security in identity. By achieving this, we can both empower and educate our citizens and our leaders, and allow them to find their new normalcy, while preserving and healing our environment. ///



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KEYS TAKEAWAYS

- Knowledge that a disaster is happening is not enough to act. We need visible and continuous policies to drive behavioural change and overcome normalcy bias.
- Cognitive normalisation is a powerful social and political tool that can be used for good at all scales, by involving behavioural scientists in the design of policies.
- among cultural reactions to climate change, and most of them are limited by our socioeconomic model, that place growth as our first priority.
- Paralysis is a biased consequence of the acknowledgement of our challenges, identification of our biases and international cooperation will be necessary to rapidly fight the blockage of climate inaction.

MANAGEMENT & LEADERSHIP

TOP READ 2020

HOW BOARDS CAN FIX CORPORATE SOCIAL (I)RESPONSIBILITY

Corporate boards are crucial in reducing and eventually preventing corporate social irresponsibility, says Prof. **Tanusree Jain** of **Trinity Business School,** but it's the way you bundle them that can make all the difference.

Related research: *When Boards Matter: The Case of Corporate Social Irresponsibility,* British Journal of Management, Vol. 00, 1 – 22 (2019), OI: 10.1111/1467-8551.12376 by Tanusree Jain, Trinity Business School, Trinity College Dublin and Rashid Zaman, Lincoln University.

> **While Corporate Social Responsibility – CSR – has been well-researched, the seedier side of business – CSiR – or Corporate Social Irresponsibility – has received scant understanding.**

OVER 18 YET IRRESPONSIBLE

Enron, World Com, Siemens, Volkswagen, BP and Wells Fargo – every now and then a corporate scandal tops the charts of the news headlines across the world. Investigations dig further revealing even darker layers of mischief, CEOs and business magnets topple, shareholders wait with baited breath and the average person on the street express mild-shock and fierce disapproval, ever-cynical of the system and the glossy promises of corporate responsibility by the business world.

While firms have long-been criticised for their irresponsible behaviours, and justice doled out in the form of hefty fines that sometimes reach the billion-dollar mark, firms still survive and firms still continue to stray from the good path. Why? Perhaps, in all truth, firms are just like human beings – full of light and goodness, full of shadow and imperfection too (moreover, it is well within a firm's span of life to both at once do good while doing bad – look at Walt Disney, criticised for labour and human rights violations in its supply chain

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while being recognised as the world's best employer in 2018). And also perhaps because the mechanisms that help them avoid such unethical shenanigans and keep them on the straight and narrow have not yet been perfected. This is what Prof. Tanusree Jain of Trinity Business School, and fellow researcher Rashid Zaman of Lincoln University, decided to investigate. And their findings provide a path which firms should surely contemplate taking.

ALL ABOVE BOARD

While Corporate Social Responsibility – CSR – has been well-researched, they argue, the seedier side of business – CSiR – or Corporate Social Irresponsibility – has received scant understanding despite the damage it wreaks to company image, share price and customer trust. Taking up the challenge, they used a sample of publicly listed firms in the USA between 2002-2015 and a sophisticated, multi-stakeholder research framework to ask two questions: what type of board-level structures could monitor managements to reduce CSiR and what conditions could render such board monitoring more effective.

Why boards? Because recent studies on corporate governance have highlighted the pivotal role of boards of directors – or BODs – both in setting firms' agendas and strategies and in effectively keeping track of what management and ops are up to. Just look at what happens in the media when a high-profile corporate scandal occurs – *'Where was the board?'* blares the public outcry. Indeed, interestingly enough, many of the irresponsible activities are known to occur because of executive mismanagement, lack of board oversight and poor governance practices.

Yet, held liable for CSiR, BODs can also use their power to lead corrective actions – for instance, in the case of sexual harassment by CEO Leslie Moonves, CBS' board publicly committed to a thorough and independent investigation and subsequently discharging Moonves without any golden parachute even before it took place.

Of big boards, free boards and committees

Boards, then, are important – not only on what they do but how they do it. It's a board's size that has a role in impacting how the members interact and relate to each other, on their ability to process information, how effectively they participate in board meetings, and the quality of their monitoring of managerial decision-making and actions.

In theory, because there are more people sitting on them, larger boards are more likely to represent the interests of multiple stakeholders, including shareholders, than smaller boards and, as such, should be more effective in reducing CSiR. Likewise, the more people you have, the more skills sets you have to tackle complex issues and ops. But then again, having many to make decisions might lead to slowness, free-riding, politicking and conflicts between clans. It stands to reason then that smaller boards should be agile, more committed and accountable. But here again, research has shown that smaller boards have a greater likelihood to be dominated by short-term, profit-oriented and powerful manager-directors inclined to take risky decisions that might lead to an increase in CSiR behaviour.

Independence is also a key factor. The bulk of existing research agrees that independent directors are better monitors and better in improving firm performance. What's more, they're positively associated with good CSR behaviour in terms of employees, product aspects, the environment and corporate giving.

Prof Jain argues that even if independent directors may not have regular information on a firm's challenges and opportunities, they are hired to represent their stakeholders with their knowledge and expertise and are thus likely to steer away from, and discourage others in being tempted by, CSiR to keep up their reputational capital.

Firms also create committees to deal with a wide variety of issues from quality, project management and innovation, meeting and carrying out work separately and making recommendations for approval of the full board. And as stakeholders increasingly become aware of the risks linked to irresponsibility and unethical behaviours – and indeed may believe in responsible leadership and business practices – so firms increasingly see the creation of CSR committees that address socio-environmental issues. They tend to have a good record. They encourage extra vigilance on green issues and improve the firm's social performance.

OF SEX AND DIRECTOR ACTIVITY

Gender, of course, brings its fair share of impact on everything from buying a home to corporate performance. The good news for women is that in much research they come out top. They have been found to be more sensitive towards ethical judgements and set higher ethical standards than their male counterparts – even when under pressure to give way. Women have also been found to give more emphasis to CSR practices and greater diversity on boards gives a bigger variety of perspectives, thus generating better solutions during problem-solving and ultimately improving board effectiveness.

What's more, women are less lazy. In terms of keeping a track on performance and operations, female directors are more likely to actually turn up and attend board meetings than men. This is important. For when directors fail to attend such meetings, it signals their unwillingness or inability to fulfil their monitoring tasks. Lower attendance at board meetings can also encourage managerial opportunism at the expense of stakeholder claims and interests. Put simply, the more you attend, the more aware you are of the risks and the more you speak directly about it with the other directors present. In short, it's not the frequency at which board meetings are held that is important, but the frequency at which directors attend those meetings that really counts. With the proof of the pudding clearly on the plate, Prof Jain argues that more women on boards, with increased director activity, will have a positive impact on reducing CSiR.

HAVING A GOOD BUNDLE

From their research, Profs Jain and Zaman highlight that the number of incidents and the cost related to CSiR rose drastically from 2002 to 2015. Initially more pronounced in the manufacturing and finance industries, it has increased across all industries in recent times, notably following the global financial crisis. Trawling through the practices of the 1,591 firms in their study, Prof Jain concludes that those which reward management for their CSR efforts are better positioned to proactively safeguard stakeholders against irresponsible corporate practices and therefore most likely to stay off the CSiR list. Yet the firms' practices revealed a pattern, when governance is bundled together. This governance bundle includes large and more independent boards, a board CSR committee, more women within boards, and with higher director activity. This research also found that the effectiveness of the bundle is likelier to sustain under two conditions, the first being institutional ownership, where a firm's investors are made up of insurance companies, banks and endowment funds and so on. These have the resources, long-term vision and their reputation to safeguard to ensure that firms they invest in stick to the straight and narrow.

The second is higher board director pay. This may be at odds with those who tend to link a fat pay cheque to shady dealings, but the fact is that pay acts as an incentive for boards to look after the long-term interests of shareholders and the firm and keep a sharper look out

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on what type of decisions their managers are making. Board independence also proved to have a significant positive effect, irrespective of the level of institutional ownership. As Prof Tanusree Jain points out: 'When properly structured, boards can substantially reduce stakeholder mismanagement.' And it might just keep your company from toppling Volkswagen at the top of the CSiR charts. ///

KEYS TAKEAWAYS

- Firms can do good through CSR (Corporate Social Responsibility), and at the same time do bad through CSiR (Corporate Social Irresponsibility).
- The number of incidents and the cost related to CSiR rose drastically from 2002 to 2015, notably following the global financial crisis and across all industries.
- Boards of Directors – or BODs – are a crucial factor in helping to reduce CSiR: they set firms' agendas and strategies and effectively monitor management and operations.
- Larger boards are more likely to represent the interests of multiple stakeholders, including shareholders, than smaller boards and, as such, should be more effective in reducing CSiR.
- Independent directors are better monitors and better in improving firm performance. They are positively associated with good CSR behaviour in terms of employees, product aspects, the environment and corporate giving.
- Women give more emphasis to CSR practices, are more sensitive to ethical issues, and attend board meetings more frequently.
- Greater diversity on boards gives a bigger variety of perspectives, thus generating better solutions during problem-solving and ultimately improving board effectiveness.
- Prof. Jain and Zaman propose a governance bundle that includes large and more independent boards, a board CSR committee, more women within boards, and with higher director activity. The effectiveness of the bundle is likelier to sustain under two conditions: institutional ownership and higher board director pay.

IT TAKES TWO TO TANGO: WHY EMPLOYERS SHOULDN'T BE SO QUICK TO DOWNSIZE DURING COVID-19

Sandra Forro, IE Business School, IE University Winner of the 2021 CoBS student CSR article competition, takes a sharp look at firms during the global recession and their track record of employee versus business strategy: save the company, save the employees – or both?

> **Ironically, it's common for firms to rehire people a year after grand downsizing.**

March 2021: over a year after its origin, the COVID-19 pandemic continues its rampage. Though prospects are looking up with vaccination rollouts, the economic costs will take longer to offset. In 2020, the IMF proclaimed a negative global economic growth of -3% – the 2009 Financial Crisis exhibited -0.1%. The verdict? The Great Lockdown is the worst recession since the Great Depression. Some sectors such as manufacturing, travel, tourism, hospitality and retail were hit especially hard. Not only are consumers unable to indulge in certain activities, but their consumption habits are changing, too. As per McKinsey: *"we have covered a 'decade in days' in adoption of digital."* Due to these developments, unemployment is surging. In the US, the number of people without a job increased by a whopping 5.2% since 2019. Confronted with a global recession, most businesses have posed the inevitable question: save the company or save the employees?

EMPLOYMENT: A SYMBIOTIC RELATIONSHIP

Businesses must recall that employment is a two-way street. Rather than blindly asking employees to sacrifice themselves

in the face of COVID-19, downsizing must be weighed carefully. When sales and profits fall, layoffs have become the most popular management tool to cut costs. Yet, this is rarely the only choice, nor the best one. Research shows that large job cuts (5% or more) generally do not lead to higher profits or stock prices and simultaneously tend to have a strong negative effect on corporate reputation. Could a downsizing approach work for your business? Read on to find out.

THE STRATEGIC ROLE OF EMPLOYEES

Downsizing consequences have largely shown to be negative. Nevertheless, it may be a fitting strategy, depending on your company's objectives. The MIT lays out two methods for employee management: control-oriented and commitment-oriented. Control-oriented is more cost-focused, where operational excellence takes precedence. A commitment orientation places high value on human capital for achieving a sustainable competitive advantage. These categories help discern how critical employees are in achieving a given organization's goals. In the case of control-oriented, layoffs are more readily justifiable and may be regarded as a good cost-cutting measure. A commitment orientation, however, requires treading lightly when it comes to downsizing, especially if this is accompanied by high R&D intensity, industry growth and low capital intensity. In a study, these attributes featured sharp decreases in firm profitability from personnel cuts.

DOWNSIZING OR RIGHTSIZING?

Downsizing during COVID-19 should have one root cause: the pandemic. Industries disruptively impacted by the disease, where changes are expected to persist in the long run, are viable layoff candidates. The MIT terms this as reactive downsizing: due to external forces, like crises or drastic marketplace changes, immediate survival is the company's top concern. Structural changes may have manifested prior to COVID-19, so proper investigation into the causes is needed. For instance, in an interview, former Siemens CEO Joe Kaeser comments that there are changes in the energy landscape like coal and natural gas for power generation and more use of renewable energy resources. Notably, he emphasizes that these are of structural nature, unrelated to COVID-19. Mr. Kaeser also said that the fluctuation in activity from the pandemic is temporary in Siemens's case. Consequently, no downsizing was done and short-time work was implemented instead.

Proactive downsizing, or rightsizing, aims to enhance the long-term competitive advantage of a firm. It stems from the internal workings of the company and not from outside shocks. A firm may accidentally engage in proactive downsizing under the pretext of reactive downsizing, so the pre-COVID-19 state of affairs should be carefully considered. Not only is fake reactive downsizing unfair to employees, but negative press may follow.

MIRROR, MIRROR ON THE WALL...

If a company's image is crucial to its market position, layoffs should be approached hesitantly. In a study conducted during the Financial Crisis, downsizing firms lost over two thirds of their position in corporate reputation rankings (in the case of large job cuts over 5%). In terms of CSR, a downsizing decision must be ethical to be seen as socially responsible. At the very least, if layoffs are unavoidable, they must be handled in a fair and transparent manner. Airbnb's CEO Brian Chesky, for example, sent a personal letter to employees during the pandemic with an explanation of why downsizing must happen, a roadmap of the process, five initiatives to help those leaving find new jobs (one of which included keeping the company's Apple laptops), and a heartfelt apology. It was in line with Airbnb's values and culture, garnering a positive public and internal response.

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When operating in the US, downsizing is often undertaken more freely without image repercussions. There, layoffs are systematically used as a strategy to boost performance, more so than in other countries. In Europe, caution is required since dismissals are less accepted, and offers like short-time work, early retirement packages, buy-outs and working time reductions are commonplace.

THE PERFORMANCE MYTH

Downsizing is not a miracle cure for bad performance. In fact, if performance is a problem, layoffs can add fuel to the fire. Instead, a long-term strategy using alternatives can boost performance. Take Honeywell: during the Financial Crisis, it opted for voluntary unpaid work leave and furloughs, without layoffs. Ex-CEO David Cote commented on the results: "During the fourth quarter of 2009 our sales forecasts stopped going down, and by January of 2010 my team and I were starting to talk about recovery. As orders began to pick up, it was clear that we were well prepared in comparison with our competitors: Our inventory and delivery times were better, and because we had held on to our people, we found it easier to win new business."

In general, recessions last 12 to 18 months, after which demand revives. Ironically, it's common for firms to rehire people a year after grand downsizing. Accenture, for example, conducted a workforce cut of (at least) 5% during the pandemic. Now that the sector has regained its pre-pandemic level of growth, Accenture struggles to retain valuable talent; employees are disillusioned by its previous actions and are flocking to competitors.

Clearly, downsizing can easily lead to wrongsizing; suddenly, a firm may not have enough staff to deal with the post-pandemic growth. Think about the concept of organizational slack (excess capacity): firms with high organizational slack have a greater ability to adapt operations to adverse economic conditions. A negative relationship between reduction of organizational slack and profitability is documented. Not reducing headcounts during COVID-19 may allow for better reactions to the changing environment and earlier seizing of market opportunities compared to competitors.

Also, if you thought layoffs are a good way to increase your company's stock price, I bear shocking news. Stockholders have a peculiar view on layoffs. Whilst considered as efficiency-enhancing during periods of rising financial markets, downsizing from adverse market conditions or economic downturns is deemed as a sign of declining investment opportunities in the firm's product markets. If a declining stock price is not one of your post-pandemic goals, steering clear is recommended.

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OUT OF THE FRYING PAN INTO THE FIRE

Before jumping on the downsizing bandwagon, remember that it also carries costs. Every time someone is let go, they get, on average, around six months' worth of severance pay and outplacement services. So, it takes approximately 6 months before any savings from layoffs truly occur. Then, companies typically hire again 6 months later (at the end of the recession) and any savings from 6 months earlier are dispelled by the rehiring costs (especially as firms start competing for talent) and retraining costs. On top come the lawsuits from laid off employees, plus indirect costs of demoralized and unproductive surviving employees ('survivor syndrome') and reputational changes.

In the end, costs of downsizing are easily underestimated. A European company saw a 40% increase in recruitment costs, followed by 30% in training for new recruits after layoffs. This was unanticipated and cancelled out the small productivity gains.

Easier said than done

Ok, but if downsizing is off the table, what are the alternatives? Here are some tips:

- **Lead by doing.** Pay cuts are likelier to succeed if senior managers set an example. The CEO should take the largest cut; for instance, during the pandemic, airline CEOs, Palo Alto's CEO and Gravity Payments' CEOs renounced pay.
- **Collect ideas from employees.** This shows a genuine concern for their wellbeing and also ensures stronger buy-in for the initiatives that are eventually prioritized.
- **Make clear that the alternatives are in place to avoid layoffs.** This makes employees more amendable, perhaps even welcoming, towards salary-increase freezes, halted bonuses, unpaid leave, overtime bans, a pause on payments in retirement funds, reduced vacation days, and other such measures.
- **Protect most vulnerable employees with lower pay cuts.** For example, BIMDC cut the pay of its highest earning employees by 10%, those in the mid-range by 5%, and all others above a particular threshold by 2.5%.
- **Governments** have provided much assistance during COVID-19, like short-time work. Economic aid is targeted at firms that do not downsize. The German government, for instance, has set aside €100 billion to support companies through the pandemic.
- **Adjust to customers.** Agreeing to short-term relief may mean higher activity during recovery. PayPal, for instance, let customers move back repayments on business loans or cash advances – at no additional cost. This way, small businesses can swiftly deal with issues and recover financial strength for the near future. As PayPal CEO Dan Schulman put it: "We need to obviously take care of our shareholders, but I think the way we do that best is by taking care of our employees, taking care of our customers and stepping up and doing the right thing. That's, I think, at least how we build businesses that are enduring and an economy that can be strong. And a strong economy is helpful for everybody."
- **Foster the workforce.** During the Ebola crisis, for example, a company in West Africa devised a strategy for smoother physical return to the workplace, introduced new skills and training and cultivated a more deeply engaged workforce. It concisely distinguished between critical and noncritical skills for post crisis, and that employees needed to be more flexible; it then trained people in adjacent skills. Truck drivers, for example, became excavator operators. The strategy proved highly effective. Since COVID-19 has encouraged digitized learning approaches, learning costs may be lower. Additionally, in certain sectors, retraining the workforce is imperative to surviving. For example, banks had to train employees in aiding clients use digital tools and new products and services.

THE BOTTOM LINE

All things considered, you should ask yourself if the benefits of downsizing exceed the costs, and whether it fits in with your corporate goals and values. If layoffs are a must, remember that a business is equivalent to a car, whilst employees are its motor; only together do they produce a functioning vehicle. The pain of downsizing is a burden to be borne equally, so employers must ensure that appropriate measures are in place to soften the blow. At the end of the day, it boils down to business ethics and treating people the way they deserve. ///

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KEYS TAKEAWAYS

- Large layoffs generally do not lead to increased profits or stock prices. To furnish a positive outcome, they must match a company's objectives, human resource approach, values and image.
- During COVID-19, companies should only downsize if the cause is the pandemic. Other structural or strategic causes that were already inherent should not be used as a reason for downsizing.
- Firms with a commitment-oriented focus should focus on retaining talent, whilst control-oriented firms may use layoffs as a good cost-cutting measure.
- Downsizing may be harmful to a firm's image and social reputation.
- Wrongsizing may occur as a consequence of downsizing and impede post-pandemic performance.
- The employee and employer share a symbiotic relationship; even if downsizing is necessary, measures to soften the impact should be taken in accordance with business ethics.

SINK OR SWIM: HOW CAN CORPORATE LEADERS RESIST THE COVID-19 CHALLENGE?

The COVID-19 crisis has brought about a whole new set of problems for companies. Will they resort to old solutions? **Olga Panashchenko, ESSEC Business School,** contends that is time for both leaders and employees alike to explore new avenues.

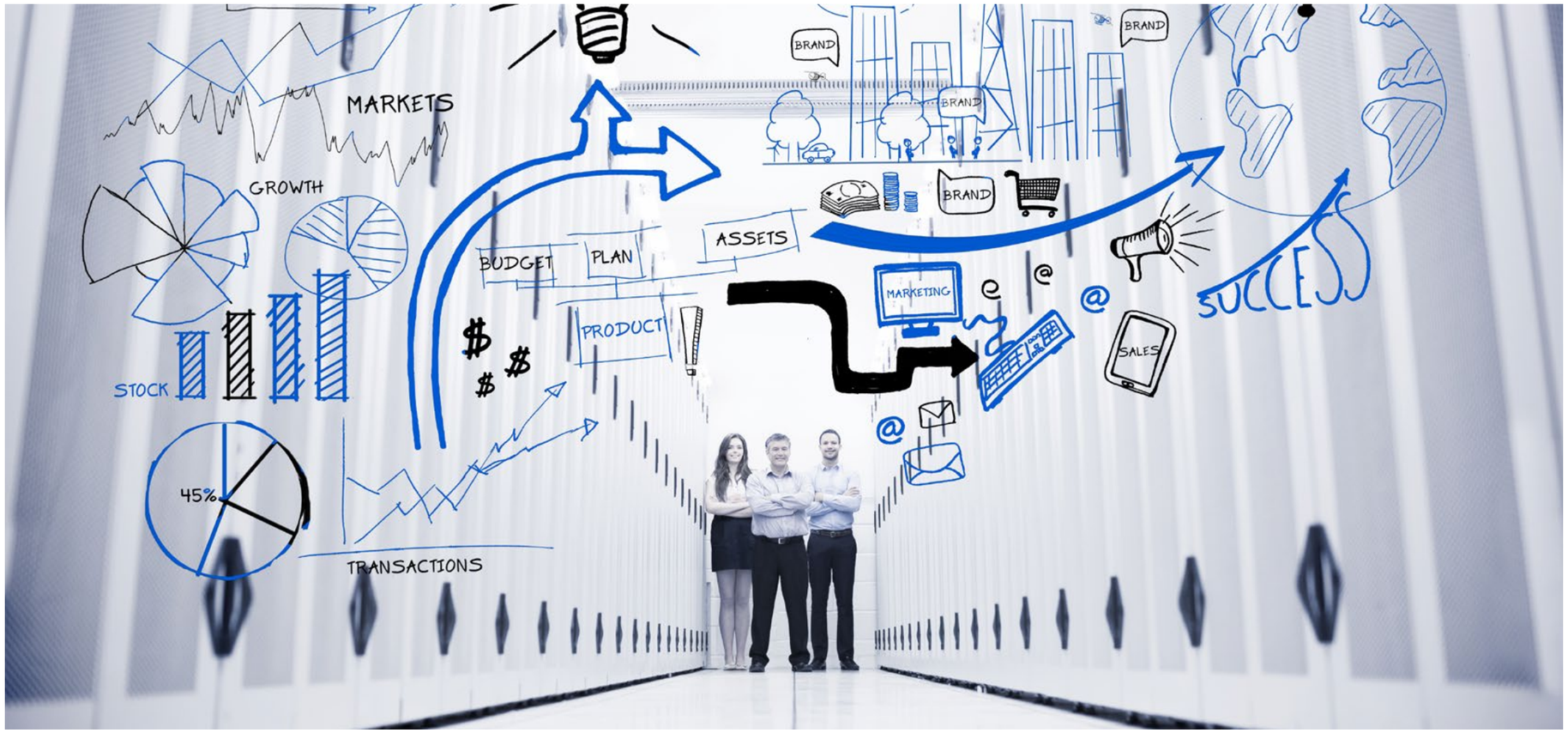
> **At a time of great uncertainty, the need for joint decision-making processes is even more urgent.**

POINT OF NO RETURN

It seems that it has been ages since the COVID-19 pandemic started. The word "lockdown" was named a word of the year [1]– but "quarantine", "isolation" and "crisis" also make good candidates. Our reality has changed, and lots of people are still struggling to adapt to this new way of life. We almost got married to our laptops, waiting for another Zoom conference to start. Our work schedule, our habits, our leisure activities are all changing, just as our mindset.

A bit more than a year ago we could take a flight to Italy in search of sun and a pizza with mozzarella, we could go to the cinema after work or throw a birthday party at Disneyland. Today, with all the restrictions, closed borders and corporate bankruptcies, a lot of people feel that these simple pleasures have become a thing of the past. The uncertainty brought by the COVID-19 pandemic is a powerful disruptive force. It brings to the surface such issues as access to medical

1. Flood. A. *Lockdown named word of the year by Collins Dictionary* // The Guardian, 10 November 2020



care, economic stability and job security. Under this burden, we sometimes feel an irresistible desire to book a ticket to somewhere and to just fly away and leave all the problems behind, taking a moment to relax. But how many of us will actually be able to afford their dream post-pandemic vacation?

NEED FOR ACTION

The modern world has seen sanitary and economic crises before, but very few of them can compare with the COVID-19 pandemic and a subsequent lockdown in its scope, complexity and overall impact. According to the World Economic Forum, 114 million people lost their jobs during 2020[2] and there is no evidence to suggest that 2021 will see a substantially different situation. As the pandemic evolves, more and more companies find themselves in a state of financial difficulty, leaving managers with a tough choice: to focus on saving business or saving employees?
Let's take an example of Hertz, one of the US largest car-rental companies, that filed for bankruptcy in 2020. They started losing money because there was no demand. However, they were still obliged to pay fixed costs to continue providing service to hundreds of thousands of vehicles, which were standing idle. With high costs and very low revenues, the company confronted a liquidity shortfall and had to search for all possible solutions to stay afloat. Prior to bankruptcy, they fired 16,000 employees[3]. Yet, was such an action inevitable and unavoidable?

Our pragmatic side would probably say yes. When business is in trouble, it calls for drastic measures. Prioritizing a company's interests increases its chances of overcoming temporary difficulties and getting back on track. Any hesitation might be critical: once a point of no return is reached, the very existence of the company is jeopardized. And if it ceases to exist, all the employees lose their jobs, not only part of them. A conclusion speaks for itself: save the company. This is logical. This is justified. Even altruists don't want to see their business go bust.
To a large extent, the above scenario perceives employees merely as resources. They produce a certain output that gets registered in the asset side of a balance sheet, and they also cause expenses that get reflected in liabilities. As soon as decision-makers determine that this source of labor lacks productivity, they will cut wages and reduce workforce to the "optimum" level.

2. Richter F. *'COVID-19 has caused a huge amount of lost working hours'*, World Economic Forum Agenda, 4 February 2021.
3. Kelly J. *'Hertz Files For Bankruptcy After 16,000 Employees Were Let Go And CEO Made Over $9 million'*, Forbes, 23 May 2020

NEW PROBLEMS, OLD SOLUTIONS?

Reducing labor costs by means of cutting wages and letting "extra" workers go is a well-known practice. Starting from the 1970s, massive layoffs became routine for US companies. IBM, Citigroup, General Motors, Boeing, Bank of America and dozens of others did not hesitate to significantly reduce their workforce in pursuit of lower expenses and higher margins[4]. This practice quickly spread to other countries. From a certain point of view, it was regarded as a sign of corporate competitiveness: the company's ability to restructure and to optimize profit & loss.
Nevertheless, the world has changed, largely due to the increasing global challenges, namely: growing social injustice, accelerating climate change, political upheaval, rapid technological disruption, and finally a fast-spreading virus, which is claiming thousands of lives and causing severe damage. Playing a major role in the fight against these challenges, companies can no longer reserve for themselves a simple production function. They have to adapt to the 21st century's realities and to assume more environmental and social responsibility, taking into account how the results of their activity will impact a larger group of the stakeholders.

4. Zillman C. *'The 10 biggest corporate layoffs of the past two decades'*, Fortune, 20 September 2015

The stakeholder/CSR perspective is most consistent with the pluralistic environment faced by businesses today. Therefore, the criteria of competitiveness have also changed. Human capital is now placed above other resources. Knowledge, skills, experience, creativity and out-of-the-box way of thinking help people find the best use of other available resources as well as come up with innovations necessary for the corporate development.
Sharing this viewpoint, can we really advocate for prioritizing financial interests in the face of the COVID-challenge? Wouldn't it be a double standard if a company donated for charity while depriving their employees of a source of income at the time of crisis and uncertainty?

LIKE LEADER, LIKE WORKER

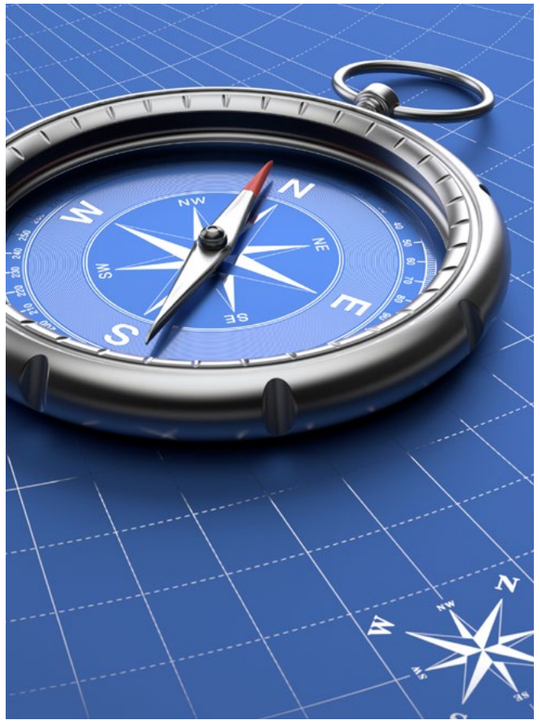
Being a leader has never been easy. However, today it has become more challenging than ever. A successful decision-making policy demands a long-term vision. In other words, it requires capacity to think ahead and to predict the results of one's actions at a global scale.

If managers think solely about optimizing their balance sheet in the face of a financial struggle, employees are likely to be aware of this. Corporate culture is no longer something that is made secret of. It is an essential part of the working environment, something that employees unconsciously and inevitably absorb. If managers place financial well-being above everything else and opt for downsizing as a default measure to cut costs, they tell employees something like "everyone should think for himself". And the employees get the message.
Massive layoffs are a thing of the past. This is the conclusion we draw if we look at the figures: according to recent studies, downsizing a workforce by 1% leads to an increase by 31% in voluntary turnover the next year [5]. It can be explained by the lower performance of "survivors", who tend to feel burnt out and have fewer job satisfaction and commitment to the company. Indeed, if hard work could not ensure a job for their colleagues, what would guarantee that they will not be next? Employees lose the incentive to try their best for the good of the company. As a result, long-term corporate success is under threat.
Hence, layoffs and furloughs are not an option any more. But then what is? How can the company take care of its employees and not cross the line after which it is bound to go bankrupt?

USE YOUR BOOTSTRAPS

The key concept implies that saving a company is a collective challenge, especially during the COVID-19 crisis. Managers and employees should work side-by-side rather than be separated from each other by the wall of a corporate hierarchy. Engagement, collaboration, unity and mutual trust are among the main elements of building relevant corporate strategies in a state of financial distress.

5. Sucher S., Gupta S. *Layoffs that don't break your company: better approaches to workforce transitions* // Harvard business review, 2018-05-01, Vol. 96 (3).



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At a time of great uncertainty, the need for joint decision-making processes is even more urgent. Corporate leaders should involve their subordinates in strategic discussions and organize open forums in order to give them possibility to share their thoughts. Employees that feel an integral part of the team will show more devotion to their job and to the company.

Furthermore, managers might consider introducing incentive-based compensation instead of a guaranteed one. It is also a means of cutting costs during hard times, but it is far less severe than downsizing. Employees know that they will earn back their salaries as soon as the company improves its performance. This "airbag" gives a certain feeling of confidence in their own future.

As the situation gets more difficult, stricter measures might be introduced. They may include a shift to a fully remote work mode, part-time pace for full-time workers, and enforced holidays with a mix of paid and unpaid leave. One thing is clear: layoffs are the last resort for a company with a long-term perspective on the market.

Overall, the lesson calls for a collective effort to overcome COVID-19 challenge. Leaders must encourage other employees to use their bootstraps – to take ownership and responsibility for their own well-being. The atmosphere of participation and a spirit of collaboration will help employees adapt to the new reality and come up with effective solutions. Hopefully, with a similar approach they will get out of the COVID-19 crisis more resilient and empowered than ever before. ///

KEYS TAKEAWAYS

- The COVID-19 pandemic designated for us a point of no return. Our lifestyle, working schedule and habits have changed, just as our mindset. We have to search for new corporate strategies in the face of great uncertainty, stress and emotional burnout.
- Companies that are going through financial difficulties are in the search of ways to cut costs. Some of them opt for massive layoffs and furloughs. However, such measures have only a short-term effect. In the long term, they create more problems than they solve.
- The global vision and strategic thinking are crucial for today's leaders. Companies aiming at creating far-reaching positive impact should act in the benefit of the stakeholders, including their employees.
- To maneuver the COVID challenge, leaders must engage employees in decision-making process. Doing so will empower them to take the accountability for their own well-being – and, consequently, the well-being of the company.

CoBS 10 YEARS

An Alliance with a Purpose

2011

The Council on Business & Society (CoBS) is founded by ESSEC Business School, Tuck School of Business at Dartmouth, School of Management Fudan University and Keio Business School with the aim to address the major issues at the crossroads of business and society.

2012

The CoBS 1st Global Forum is held in Paris on the theme of Leadership & Governance. A White Paper and proceedings are published.

FGV-EAESP, South America's leading educational institution and international think-tank, joins the CoBS

A CoBS website version 1 is developed.

2013

2nd Global Forum, Tokyo 2013: Health and Healthcare. A White Paper is published.

2014

A blog – The Council Community – is developed. The early days saw 4 articles produced and posted that year. Today that number reaches 123 per year.

2015

3rd Global Forum, Boston 2015: Energy and renewables. A White paper on the theme is published.

The Council opens its Twitter page @The_CoBS. Twitter recognises the Council on Business & Society as "a cause".

2016

The CoBS loses two dear members: Tuck School of Business at Dartmouth and Mannheim Business School, University of Mannheim. The Council stands at 4 member schools and decides to continue its mission.

2017

Launch of Global Voice magazine, now in its 18th issue (June 2021) and with an average digital imprint of 18K per issue (views, impressions, reads, downloads) and featuring the schools' MBA and EMBAs.

The CoBS CSR Faculty exchange initiative is launched with the teaching of a CSR module, delivery of a CoBS Responsible Leadership certificate to students, brown beg seminar, and joint research exploration.

A brand new CoBS website is developed internally: www.council-business-society.org and quickly visitors from the USA and India become its most popular audiences.

2018

The CoBS launches its first ever CoBS CSR student article competition, revealing the talent and commitment of students from its seven schools.

Warwick Business School, one the UK's leading educational institutions, joins the Council on Business & Society

2019

The Council Community blog is revamped.

The Responsible Leadership SPOC (ESSEC Grande Ecole) developed by Prof. Adrian Zicari is opened to receiving "visiting" students from other CoBS member schools.

Trinity Business School, Trinity College Dublin, one of the world's oldest and most respected institutions, joins the Council on Business & Society

2020

FEBRUARY 2020: IE Business School, one of Europe's leading HEIs, joins the Council. The number of member schools now reaches a magnificent 7.

MARCH 2020: A successful test publication on Law, Finance, Sustainability based on the work of ESSEC Professor Hugues Bouthinon-Dumas that paved the way for a subsequent series of booklets.

APRIL 2020: The Social Media Research Foundation ranks The CoBS in the top 10 influencers in CSR on Twitter (6th).

MAY 2020: A successful test online masterclass bringing together faculty from ESSEC, FGV-EAESP, IE Business School, Trinity Business School, and Warwick Business School facilitated by Prof. Cédomir Nestorovic, ESSEC Asia-Pacific – The New Normal: Now dawn or new dusk?

JUNE 2020: The publication of Global Voice magazine #14, the traditional high-summer issue of the CoBS magazine that brings together the winning articles of the students of the inter-school CSR competition with those of CoBS faculty.

June 2020: The CoBS and the student CSR competition cited by King Felipe VI of Spain in the newspaper La Vanguardia.

SEPTEMBER 2020: Launch of a CoBS Research Pod collection – actionable research targeting practitioners.

OCTOBER 2020: The publication of the CoBS book Social Entrepreneurship: A focus on entrepreneurship for the common good followed by an online masterclass: Social Enterprise – Challenges and Opportunities in a New World Concept featuring Professors Adrian Zicari, ESSEC, Concépcion Galdon, IEBS, Edgard Barki, FGV-EAESP, Sheila Cannon, TBS, and serial social entrepreneur Paula Cardenau.

NOVEMBER 2020: The Deans of the 7 member schools meet online for a strategic seminar led and managed by Dean and President Vincenzo Vinzi and facilitated by Professors Anne-Claire Pache and Adrian Zicari.

DECEMBER 2020: Following the publication of research, an online masterclass bringing together Prof. Mette Morsing, Head of UN PRME, Prof. Tanusree Jain, Trinity, and Prof. Adrian Zicari, ESSEC: The Purpose of Business Education

DECEMBER 2020: A count of the yearly CoBS statistics gives an all-time high visibility of 1.4 m views and reads on its various platforms, with top countries being France, the USA, India, the UK and Singapore.

2021

FEBRUARY 2021: The publication of the CoBS fourth book: Leadership, Governance, and Crisis

APRIL 2020: launch of the 3rd edition of the Student CSR article competition. 210 student registrations from 6 member schools.

MAY 2021: An online masterclass bringing together 8 students from 4 CoBS member schools around the theme of: Students! How do you see the world in 2050? And facilitated by Prof. Xavier Pavie, ESSEC Asia-Pacific.

MAY 2021: 4 CoBS faculty jointly deliver a workshop given at the 2021 IABS Conference on co-creating a research agenda for social innovation.

JUNE 2021: The Council Community blog is rebranded CoBS Insights

21ST JUNE 2021: The publication of Global Voice magazine #18 – a special CoBS 10 Years Anniversary issue featuring the winners and finalists of the international CoBS student CSR article competition 2021, cutting-edge faculty research, and a co-authored Editorial by Prof. Mette Morsing, Director of UN PRME and Prof. Adrian Zicari, Academic Director of the CoBS.

TOP READ 2018

WHY AND WHEN DO PEOPLE HIDE KNOWLEDGE?

He Peng, Professor of Business Administration at **School of Management Fudan University,** looks into the question that makes the Fortune 500 companies lose an estimated $31.5bn a year by failing to share knowledge.

> **Thinking of the company as part of yourself – and vice-versa – makes you more willing to share ideas, knowledge and objects with your colleagues.**

POINT OF NO RETURN

Imagine that you work for a fast-pace company, a leader in its field and up against stiff competition from a number of other renowned firms. Thanks to a chance meeting at your daughter's school open day at the weekend, you've learnt that there are three golden leads open to your company, each with a potential contract in hand. Do you tell it to the sales guys across the corridor? Working on a commission basis they might be only too happy to take the information – and the glory – from you. Or do you keep it for yourself and the meeting you have in mind to request with your CEO? You look through the door of your office that gives out to the sales department and meet the eye of one of the Key Account Managers. Little do you know that she too was at your daughter's school open day and by chance happened to chat with the same contact as you. At this very moment, your gazes briefly meeting across the office floor, she is thinking, her mind grappling with the very same decision to make as yours.

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HIDE AND SEEK

Professor He Peng of School of Management, Fudan University has carried out research into knowledge hiding – the conundrum that may face us all at one point in our working lives. It is also an issue that faces our companies and organisations, knowledge hiding accounting for an estimated $31.5bn a year in lost revenues among those listed on the Fortune 500.

Professor Peng's angle is that while a lot of attention has been paid to knowledge sharing and how to encourage this – indeed, the competitive advantages of more and more organizations depend on effective knowledge management – little research has been made into what makes people hide it. Knowledge hiding is all about withholding or concealing task information, ideas, and know-how and its effects can be many and varied. It implies, for example, that an employee will give less than the maximum in contributing to the firm's knowledge. It also puts up barriers to collaborations within a company, new ideas, or the implementation of policies or procedures. And in the end run, it will negatively impact the team and organisational performance. It may be argued that hiding knowledge is sometimes for a good cause – like protecting a colleague's feelings by not mentioning that his boss thinks his work is of no use. But the usual meaning hiding knowledge carries is negative and bears on an individual's contribution in most work settings. Knowledge sharing, on the other hand, is wholly positive.

Carrying out research using a web-based survey questionnaire, Prof. Peng tested out several hypotheses, collecting and crunching the data of 161 male and 69 female employees working in a Shanghai IT industry company. The results supported his theory that hiding knowledge comes about through two factors, with a third coming into play that could reduce the impact the former: the notions of an employee's psychological ownership of knowledge, territoriality, and his/her degree of psychological ownership for the organisation. What are these? And how do they impact knowledge hiding?

A FINE LINE BETWEEN 'ME' AND 'MINE'

We've all met the John and Mary's of this working world who have sat behind the department's newly acquired technological gizmo on which to develop their website or turn stats into amazing radar charts. They work long hours on it, invest much effort, begin to control it and become so familiar with it that they begin to see it as theirs – almost a natural extension of the self. And when one day you happen to need the machine for a one-off assignment, you can almost hear the words coming loud and clear from John or Mary's minds as you approach their desk: "It's mine!" You've just been a witness to what is termed psychological ownership.

According to Prof. Peng, individuals can easily form an ownership feeling over a target if they have constant control over it, invest much time or energy on it, or are familiar with it. Ownership will tend to generate an unwillingness to share with others. To do so would amount to an experience of loss of control and give rise to negative emotions that would typically follow such a loss, including frustration, stress and dysfunctional behaviours. Moreover, seeing that the owner has become, in sort, a specialist with insider knowledge and skills, this knowledge becomes a source of bargaining power, elevating their own power and status in the organisation. In this sense, psychological ownership for knowledge will be positively related to knowledge hiding. After all, why share something with your co-workers if it can bring you praise and a pay rise?

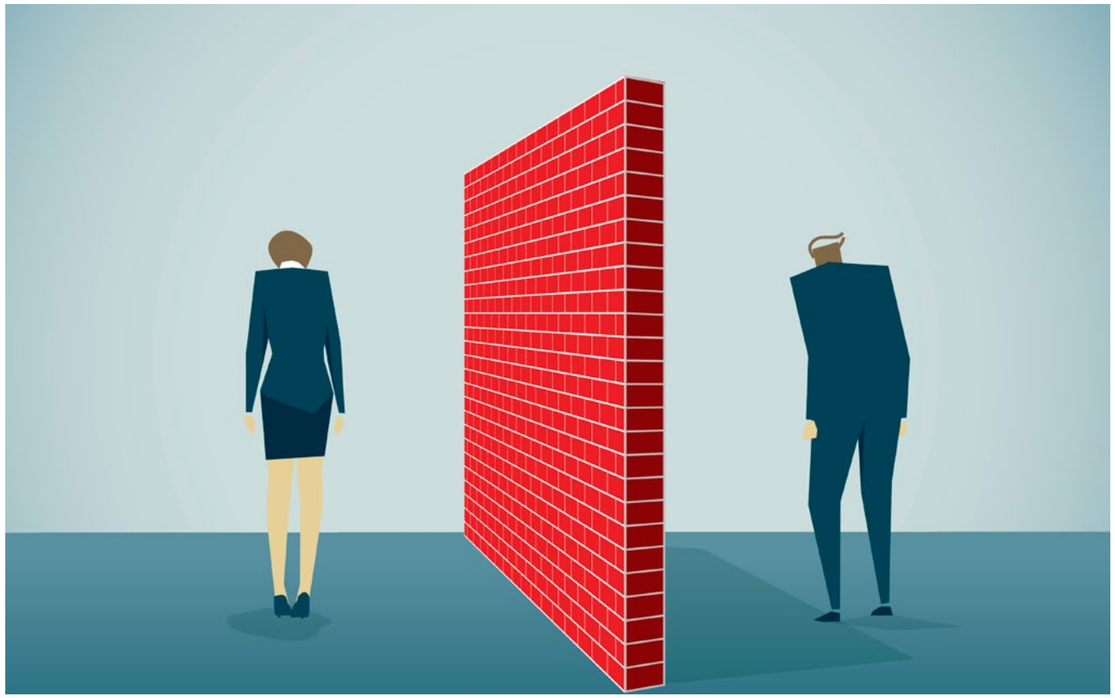
THIS LAND IS MY LAND

Psychological ownership of an object or knowledge will lead to a strengthening of the probability to hide knowledge. This is because the stronger an individual's psychological ownership of an object, the greater the likelihood he or she will treat that object as his or her territory. Such a phenomenon is also present in animals. Nudge into a clearing where a tiger is chomping into a freshly hunted prey and you'll most probably come up against an acute sense of territorial ownership. Studies first carried out in the animal kingdom by Edney in 1974, were then transferred to the human work environment, in the mid-1980s scholars seeing human territoriality over physical space and objects as a means to organise people so that violence, aggression, and overt domination would become unnecessary. New studies point to territoriality existing over all aspects of the workplace with specific behaviour sets being played out by employees: marking their territory and defending it. This means that employees take on perceptions of not only who should enter the territory, but what should go on there, who should take care of it and what types of activity that are allowed to take place in it. Marking will occur – names on doors, posters, photos of themselves on the wall holding sporting club trophies and even – we may have well seen this – skull and crossbones stickers warning potential invaders of the risks of entering. Defending territory means that the individual will take a variety of ways to prevent or respond to infringements into his/her territory that include holding knowledge privately, complaining to superiors, or yelling at invaders. Those with a high level of territoriality are therefore more likely to withhold knowledge than those with a low level of territoriality.

AND THIS COMPANY IS MINE, BUT ALSO YOURS...

There is something else that employees may become attached to and see as their own. This is the company or organisation they work for. And the effect of this isn't at all bad. Prof. He Peng argues that an individuals' psychological ownership for the organisation will weaken the effects of territoriality. This is because if an employee has his company at heart and in mind, he'll come to believe that he is significant, worthy, and valuable to the organization, and will subsequently form a strong organisation-based self-esteem – something that academics call OBSE. A marked feature of high OBSE employees is that they'll put their efforts into adopting behaviours that will benefit the organisation in order to maintain or even enhance their self-image. Since territoriality may do harm to organisations, employees with a high ownership feeling for the organisation will in turn inhibit the negative effects of territoriality. In this light, it can be argued that the relationship between territoriality and knowledge hiding will be weakened by organisation-based psychological ownership. In a nutshell, thinking of the company as part of yourself – and vice-versa – makes you more willing to share ideas, knowledge and objects with your colleagues.

This indeed has practical implications for companies. One way they can reduce knowledge hiding is to focus on management practices that decrease an individual's self-perception of possession – for example, by adopting knowledge management tools, promoting teamwork, stressing the collective ownership of knowledge, and advancing individuals' organisational commitment.



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Adopting open space working areas also might be a cure for territoriality. And finally, knowledge hiding can be reduced or made to disappear by strengthening employees' sense of psychological ownership of their company or organisation. Give your employees the possibility to participate in your organisation's activities and decisions and even give them stock ownership – and the levels of entrepreneurship and innovation inside your firm just might rise dramatically. ///

KEYS TAKEAWAYS

- Knowledge hiding accounts for an estimated $31.5bn a year in lost revenues among those listed on the Fortune 500
- Knowledge hiding is when employees withhold or conceal task information, ideas, and know-how. It negatively impacts teams and organisational performance.
- Knowledge hiding occurs through an employee's psychological ownership of knowledge and an employee's degree of territoriality
- A moderating factor is the employee's degree of psychological ownership for the organisation. Thinking of the company as part of yourself – and vice-versa – makes you more willing to share ideas, knowledge and objects with your colleagues.
- Companies should:

- Adopt knowledge management tools
- Promote teamwork
- Stress the collective ownership of knowledge
- Adopt open space offices
- Give employees the possibility to participate in the organisation's activities and decisions
- Give employees stock ownership.

TOP READ 2021

HAS ANALYTICS DELIVERED ON ITS PROMISE TO REVOLUTIONISE HR?

While HR data piles up, most organisations are left scratching their heads over the 'analytics'. Researcher **Steven McCartney** and Professor **Na Fu, Trinity Business School, Trinity** College Dublin, highlight how HR analytics might be useful in the quest to better organisational performance, and how to successfully leverage it.

Related research: McCartney, S. & Fu, N. (2019 August) "Linking HR Analytics to Organizational Performance through Evidence-Based Management", the 79th Annual Meeting of the Academy of Management (AOM), 9-13 August, 2019, Boston, Massachusetts, USA.

THE WHEELS AND COGS OF ANALYTICS

It is unlikely that candidates signing up for Google's recruitment procedure have any idea of the forces that lead to their hiring – for Google has developed a sophisticated and data-centric approach to recruitment and development through the combination and analysis of various candidate and employee data. This includes biographical, employee attitude, behavioural, and personality data. Using this information, Google is able to assemble a list of predictors of performance, and through the application of an algorithm they can identify if candidates share these characteristics, finally offering a score which predicts the candidate's likelihood of success. Google's secret weapon? HR analytics – but done well.

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WHAT TO DO WITH THE DATA?

Data, data, data – these days it's a word that enters every business conversation. It seems some get it right, but most don't. Steven McCartney and Na Fu describe HR analytics as the transformation of workforce data into organisational insights through the application of various statistical and measurement techniques, which then enable managers to make better workforce decisions. Until a while back, HR analytics were accessible to only the most elite. Back in 2009, Google was one of the first companies to which people analytics was unique, and now many have followed suit. Indeed, HR analytics is now a LinkedIn buzzword. Despite its fandom, people analytics is a skill few possess. A 2020 LinkedIn study that surveyed 7,000 talent professionals revealed that 55% of professionals still need help putting basic people analytics into practice. McCartney and Fu's study finds that HR analytics are rare as a result of being underdeveloped and lacking in maturity. Many organisations, despite having access to workforce data, are unable to exploit it to its full potential, paralysed by their inability to go beyond headcount, demographic and turnover rates.

LOCKED AND LOADED

McCartney and Fu's study establishes the first empirical relationship between HR analytics and organisational performance. In her latest paper, she argues that HR analytics be considered and viewed as an organisational resource, offering organisations a competitive advantage. She explains that because HR analytics are rare, valuable, non-substitutable and difficult to imitate, they can eventually build into an organisation's competitive advantage. But the study finds that although numerous organisations have begun to invest and assemble HR analytics teams within their HR functions, very few know what to do next. Behind the great enthusiasm in the adoption of HR analytics in practice, there is a misunderstanding of how organizations can leverage and use HR analytics to better performance. Prof. Fu and researcher McCartney contend that by employing an evidence-based management approach and equipping themselves with the right tools, organisations can take advantage of HR analytics to achieve better organisational performance.

THE ANALYTICS TOOLKIT

For this, first organisations must be able to collect high-quality data. In order for the insights to be reliable and offer benefit to the organisation, the data for analytics needs to be accurate, consistent, and complete – because inaccurate data could lead to the implementation of solutions which do not address the actual challenges facing the business. Second, organisations need to be able to analyse the data that has been generated. And to make the data usable, organisations need a high degree of analytical capability, with analytics teams able to perform and apply statistical analyses and techniques to workforce data. Moreover, the team needs to develop a narrative from the insights and show the ability to weave a compelling story. Finally, management must be able to take actions based on the insights gleaned. Often, top management teams tend to be reluctant or uninterested in HR analytics due to a lack of understanding of the benefits they may offer. This reluctance can be overcome by transforming the insights into actionable and measurable strategic actions. Organisations should strive to master the above capabilities if they aim to benefit from HR analytics, the lack of HR analytics maturity in organisations usually being attributed to one of the following factors – poor HR technology, poor data quality, few resources, lack of analytical competencies or an overall lack of buy-in from senior management. After all, an organisation's HR analytics will only be as good as their worst capability.

NOTHING BETTER THAN AN INFORMED DECISION

McCartney and Fu argue in favour of evidence-based decision making, a form of decision making whereby managers employ distinct sources of information to come to decisions. Broadly speaking, there are four: academic papers, organisational facts such as metrics and analytics, professional experience and judgement, and the consideration of outcome on affected stakeholders. An evidence-based approach allows for the blending of HR professionals individual experience, beliefs, intuition, and facts gained through HR analytics, which leads to improved decision-making capabilities and better organizational performance. Establishing and cultivating a culture focused on evidence-based management is critical in increasing the chances of analytics improving overall organisational performance. Indeed, organisations which can establish a culture of evidence-based management and incorporate it into their decision-making process can leverage HR analytics and in turn, positively impact their organisation's performance.

TECH THAT TELLS A STORY

The importance of the role of technology cannot be understated in the analytics business. The rapid advancement in computing has made the use of HR technology increasingly cost-effective and widely implemented across organisations. McCartney and Fu's study suggests that high investment in HR technology has a significant impact on HR analytics. Nonetheless, HR analytics is less about advanced and sophisticated models used to analyse data, and more about offering managers and senior-executives evidence in a simple form which tells a story. This is no way diminishes technology's unique ability to record, process, and aggregate large volumes of data which gives HR greater access to workforce data while also enabling analytics. In the absence of HR technology, HR professionals would be swamped with large volumes of historical data. Ultimately, dashboards, scorecards and other visual formats – generated by such technology – allow HR professionals to highlight workforce trends which help to drive questions that ultimately lead to action; such visualisations and easy-to-digest formats prove to be especially useful in interacting and building a narrative for senior management.

GREEN AND BLOSSOMING

HR analytics are still young and a relatively new practice to organisations, and as a result continue to be plagued with its own set of issues. While a majority of organisations treat HR analytics as a priority for the future, privacy laws (such as the GDPR) make this ambition difficult to achieve by preventing the use and adoption of analytics or at the least hindering the process. Apart from high-quality data, analytical competence, and strategic ability crucial to the success of HR analytics, senior leadership's support is another critical factor which determines the success of HR analytics. Investment in HR technology involves high-cost, long-term strategic planning which may be linked to internal organisational politics thus impacting HR data strategy. A further challenge large multinational organisations often face is the use of different HR platforms across the organisation, which, among other causes, may be due to being locked into licenses. This makes data handling and interpretation a headache for the already stumped HR professionals. A last thorn in the side for today's HR professionals are HR technology providers – although technology providers may sing praises about their products, in reality they might not be as simple and praise-worthy as the sales talk promised.

With data accessible to all and HR analytics becoming mainstream, practitioners must bear in mind that these challenges should eventually disappear, with analytics finally being able to deliver on its decade-old promise of revolutionizing talent-recruiting and development. All in all, the journey from collecting data to translating it to action is likely to be a tough one, but also the most rewarding. ///

KEYS TAKEAWAYS

- HR analytics as the transformation of workforce data into organisational insights through the application of various statistical and measurement techniques, which then enable managers to make better workforce decisions.
- The use of HR analytics helps in improved organisational performance through informed decision-making and the use necessary HR technology.
- Most companies have access to HR data but are unable to leverage it to its full potential to improve decision-making.
- There are three elements critical for HR analytics to be successful: high-quality data, analytical competence to transform data to insights, and strategic ability to transform the insights into action.
- HR technology plays a crucial role not only in collecting data, analysing and processing it, but also in developing a story or a narrative for the upper management. This can be in the form of visualised formats like scorecards, dashboards etc. In additional senior leadership's support is also important.
- Several challenges hamper the success of HR analytics: high-investment in technology, data privacy laws, internal organisational politics which may impact internal data strategy, the use of different HR platforms across the organisation, difficult to use HR technology etc.

TOP READ 2019

TALENT – TO BE AND NOT TO BE

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

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

Related research: *"Mixed signals: employee reactions to talent status communication amidst strategic ambiguity"*

Who doesn't enjoy a bit of recognition? You would probably be deluding yourself if you said you didn't. But surprisingly the joy of recognition can be rather fleeting in cases where recognition is shrouded in ambiguity. Organisations approach talent management with the goal to ensure long-term efficiency in terms of higher productivity and lower turnover. Yet, the way they manage talent can sometimes lead to the exact opposite of the original intent – employee dissatisfaction and resentment, not just from the employees who are not identified as 'talents' but also from the ones identified as high-potential. Ironic, isn't it?

ZOOMING IN ON THE TALENT MANAGEMENT OF FINNS

There is a plethora of evidence to suggest that differential management of employees according to their relative potential contributes to an organisation's competitive advantage. But what is equally important, and often ignored, is how companies communicate about talent status to their employees. As such, Profs. Yamao, Sumelius and Smale

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decided to examine the reactions of the high-flyers and 'B' players on finding out about their status in an organisation. The researchers conducted 24 in-depth, qualitative interviews of individuals who are either working for or have worked in the past for the Finnish subsidiary of a US technology firm. This firm, dubbed *FinnTech,* adopts an approach of strategic ambiguity in talent status communication. This means that only employees identified as 'talents' are formally notified about their status on a one-to-one basis. While this comes with special access to various projects and trainings reserved exclusively for the talents only, these high-flyers are still in the dark about the long-term consequences of their status upgrade. Meanwhile, the 'B' players – or those not identified as talents – receive no communication whatsoever on the existence of talent pools. This, by itself, is innocuous, until the grapevine creeps in to reveal to these employees about the existence of talent pools and their exclusion from that pool. This method of talent management does not sit comfortably in Finland, which is hallmarked by strong egalitarian values.

YOU ARE IT!

It is no surprise that FinnTech employees identified as talents experienced pride and a sense of achievement upon being recognised by the top management. The initial excitement of having gained recognition was, however, rapidly replaced by a more complex emotion revolving around the following:
I) Why me? The talents had a difficult time comprehending why they were the chosen ones. Was it just because of their good performance or did it also involve factors such as marketing oneself and building a good relationship with supervisors?

II) Am I always going to be considered a high-potential employee? In addition to not being aware of the criteria for talent pool inclusion, talents were also not aware of the duration of their status, and what was required to maintain it. This uncertainty was definitely a source of unease for them. Making sense out of this new psychological contract between themselves and the organisation was not very simple.

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

THE WOES OF THE UNCHOSEN ONES

For the 'B' players who were not deemed worthy of receiving the 'talent' status, the misery comes in two tiers. As our respondents confided, first, they were disappointed not to have been among the cherry-picked in the organisation. But then the disappointment was further amplified by the fact that they were not even notified about the existence of a talent pool or the requirements to get into one.
The self-awareness of 'B' players about their status in the company emerged through a blurred, iterative process of analysing subtle signals in the corporate grapevine. It is quite natural that this process of discerning one's own status based on informal cues was not a pleasant experience. They, too, wondered why some of their peers were chosen and they were not. Was it really a lack of merit or was it because they had not engaged in ostentatious displays of self-promotion? Was it because they had not networked with the 'right' people? So, in the end, it was their perception about their status that bothered them more than the status itself. The unease led to resentment and uncertainty about their future with the company, eventually leading some to quit the company.

It is understandable that FinnTech probably opted for ambiguous, targeted communication in order to reduce potential negative reactions such as envy, decreased motivation, and turnover intentions from the 'B' players. However, this is a rather myopic approach as deliberately maintaining information asymmetry can cause unhealthy, unconfirmed assumptions to persist. At the same time, one could say that it is also a tad bit unethical to keep employees in the dark about their careers.

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

THE FINNISH CONTEXT

The Finns harbour a mentality of discouraging those who stand out as achievers, and instead emphasise the role of the collective rather than the individual in achieving success. The ambiguous communication of talent status at FinnTech was probably a result of its US roots. While this approach may have worked in some cultures, it was rather unacceptable – amongst the talents and 'B' players alike – in Finland. The one thing that Finns are absolutely incapable of doing is tooting their own horns. The high-flyers interviewed at FinnTech emphasised the importance of remaining modest and maintaining a low profile despite their status. Not only do they feel it is grossly inappropriate to flaunt a special status but also know that any indication of complacency would render them a target for collegial contempt. This line of thinking can perhaps best be described by the 'Law of Jante' – a term used widely in the Nordic countries to describe a condescending attitude towards individuality and success.

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SIDESTEPPING A STICKY SITUATION

There is no doubt regarding the myriad benefits of recognising talent. Employees who are rightly recognised exhibit positive behavioural outcomes when it comes to commitment and motivation. But what is important is to maintain an element of distributive justice when recognising talent. In this regard, transparency of identification criteria is of critical importance for the talents and 'B' players alike. In the end, what matters more than the status itself, is the perception of the employees about the status. A higher level of perceived fairness is more likely to translate into positive attitudes among employees.

Professors Yamao, Sumelius and Smale's findings reveal that the effects of strategic ambiguity on employee reactions are markedly different for talents versus 'B' players, yet in both cases the longer-term consequences were mostly negative from the individual's point of view. So, it is safe to conclude that MNCs may need to make more concerted attempts to understand the meanings attached to exclusive TM practices and how local employees in different parts of the MNC view this status. Alternatives such as 'talent teams', or other forms of positive feedback and status-enhancement such as interesting assignments and opportunities to pursue own projects, may in some contexts be more culturally acceptable than identifying individual talents. ///

KEYS TAKEAWAYS

- Organisations approach talent management with the goal to ensure long-term efficiency in terms of higher productivity and lower turnover.
- The way of managing talent can sometimes lead to the exact opposite of the original intent – employee dissatisfaction and resentment from high potentials as well as the unrecognised.
- The way how companies communicate about talent status to their employees is important.
- Talents may have difficulty comprehending why they were the chosen ones. Talents may also be unaware of the duration of their status, and what is required to maintain it. Talents may also wonder if their status upgrade means having to work significantly more, and not necessarily on value-adding projects.
- Alternatives such as 'talent teams', or other forms of positive feedback and status-enhancement such as interesting assignments and opportunities to pursue own projects may be solutions to the above.

HOW CAN LEADERS MANOEUVRE THE COVID CHALLENGE: SAVE THE COMPANY OR SAVE THE EMPLOYEES?

Ivan Berni Jr., FGV-EAESP, takes perspective on the Covid-19 crisis for companies, leaders and employees and contends that leaders must show proof of balance and mindfulness.

> **As leaders face these unforgettable challenges, they are learning in practice how to deal with the uncontrollable environment beyond dally activity.**

RESPONSIBLE LEADERSHIP: HOW TO LEARN AND APPLY IT

How to deal with something new – the Covid-19 pandemic – that is out of our control? What are leaders' new challenges and behaviours to be developed to face this new disruptive moment? The aims of this article are to explore the dilemmas that companies, leaders and employees are facing since Covid-19 was discovered.

COVID-19: OUR GENERATION HAS NEVER HAD THIS EXPERIENCE BEFORE

At the end of 2019, we heard that a dangerous virus with big potential of transmission was discovered in Wuhan, China. And at that time, we did not know the real impact that the world's population could face in the short term.
After some weeks, we recognized the transmission potential of Covid-19 at Codgno, a small city in Lombardi Province, north of Italy. We have since listened and read much bad news in the media regarding other countries in Europe, Asia, the Americas, Africa, and Oceania – facing the same issue, in parallel. And at the same time we started to think about the real impact for the global population, companies, leaders and employees.

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COMPANIES AND EMPLOYEES: THEIR SITUATION

Companies do not all face the same issues due to Covld-19. Moreover, it depends which market niche they are doing business in. Some of them such as the aerospace, automotive, oil and gas sectors are suffering huge drops in sales and demand in production. Others market sectors such as health, medicine, and information technology have seen a large increase in demand. The main goal of this article is to focus on companies that are facing a huge negative demand impact on their supply chains.

In general, many companies are suffering greatly, some of them shut down for long periods in 2020. Suddenly it became necessary to revise budgets, business and strategic plans with cost reduction a main focus. Overall, supply chains faced huge negative impact and complications, but, in parallel, new challenges, new opportunities, new demands and needs were created and it was quickly necessary to be adapted and ready for it. Companies undertook different studies, analyses, forecasts, and marketing research, with, in many cases, negative results. For many companies, the crisis meant an increase in costs and a drastic reduction in or negative profit. As such, leaders started to face a huge dilemma: retain employees for future business or lay them off. If they decided to cut staff, this tough decision would have many negative consequences on the social dimension with an increase in unemployment and, in the short term, difficulties in maintaining output with productivity and high quality due to losing trained and skilled employees.
In this new, fragile, uncertain, complex and ambiguous scenario, each employee, as a human being, faces a variety of feelings such as unsafety, anxiety, and stress, and in some cases depression and burn-out. Around 7,8 billion people globally are out of their comfort zone and we cannot see good news and a direction in a short term period.

RESPONSIBLE LEADERSHIP, CHALLENGES, OPPORTUNITIES AND DILEMMAS

As leaders face these unforgettable challenges, they are learning in practice how to deal with the uncontrollable environment beyond dally activity via innovation, investment in new technologies – Artificial intelligence, Big Data, Block Chain, Industry 4.0, Robots, for example. They are also learning how to keep employees motivated, committed, engaged, manage their emotional instability, manage their company culture, subculture, conflicts, financial numbers, KPIs, and strategy. Due to low results, leaders are receiving a lot of pressure from their companies. On this dimension, the issue is how leaders can develop a responsible leadership approach and find a good balance between company and employee needs without losing emotional control and survive during these chaotic times?

To keep moving forward and attempt to solve or find good solutions and balance between company and employee needs, responsible leadership needs to develop important skills such as creativity, critical thinking, collaboration, cognitive flexibility, complex problem solving, negotiation, decision making, listening, empathy, conflict management, resilience, emotional intelligence, flexibility and patience. But, to succeed,

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is necessary to have self-knowledge, be humble, forget one's ego, vanity and arrogance – and instead practice and enhance constructive dialogue instead of heated and entrenched debate. Considering dally activity, a good idea or suggestion would be to practice different leadership styles according to the situational demands and influence all teams to move forward and demonstrate resilience to achieve their goals and targets.

Leaders with a responsible leadership approach need to understand organisational ambidexterity, work with humanized management, and take decisions on evidence based management. Being ambassadors of corporate culture, responsible leaders practice less command, control and centralization and privilege team creativity, curiosity and innovation. And with these actions, employees can support leaders with new suggestions, new ideas, new solutions for issues and finally achieve their goals and overcome challenges. Moreover, in their daily activities, employees can practice their talent without fear with greater motivation, purpose and engagement. But, in such situations, it is very important to emphasize that leaders take decisions or define new strategies and actions together with employees. Leaders have the responsibility to move forward and support all their teams to achieve goals but leaders must not forget to walk the talk as in many cases they are examples for their Team. Beyond that, leaders need to understand that is very important not only to have followers but develop new leaders in their teams too.

BALANCED AND MINDFUL

Unfortunately, this unique, worldwide situation will not be solved in the short term and perhaps it will take some many more months or even years to succeed and return back to the Pre-Covid-19 period with vaccine as the solution. A leader with a responsible leadership approach is a professional that will find the best balance between the company's and employees' needs, the best balance between reason and emotion. It is a huge challenge but leaders cannot give-up on losing this opportunity to develop their skills and use this knowledge to take the best proper action and decision and in the near future exchange the experiences that have been learned with others.

Finally, during this tough and unique period of Covid-19, when leaders are able to bring together both purpose of business and the purpose of employees, provide motivation and take care of their employees' wellbeing, the end-result post-Covid will be beneficial. Employees will achieve higher focus, determination and commitment while recognising the effort of their leaders and companies. It will a win-win relationship for both sides. Things will look darker if companies decide to shed their employees. Leaders and staff that keep working have a social responsibility to create new demand and offer new jobs and opportunities for the unemployed – action and attitude such as this are the most effective ways to guarantee people's dignity. And as human beings we must undertake actions to strive for a more equal and inclusive world.
During this long period, both leaders and employees may be inclined to feel negatively, misunderstand, express emotional instability or insecurity or even question and doubt. In such cases, it is corporate mission, vision and values that may provide the guidelines and help support everybody to find a balance and take proper action and decision. To conclude, we cannot forget that leaders are human beings too, not supermen or robots. To absorb all the pressure and take the best decisions, it is sometimes necessary to practice mindfulness. ///

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KEYS TAKEAWAYS

- Companies do not all face the same issues due to Covid-19. Moreover, it depends which market niche they are doing business in.
- In this new, fragile, uncertain, complex and ambiguous scenario, each employee, as a human being, faces a variety of feelings such as unsafety, anxiety, and stress, and in some cases depression and burn-out.
- To keep moving forward and attempt to solve or find good solutions and balance between company and employee needs, responsible leadership needs to develop important skills such as creativity, critical thinking, collaboration, cognitive flexibility, complex problem solving, negotiation, decision making, listening, empathy, conflict management, resilience, emotional intelligence, flexibility and patience.
- Leaders with a responsible leadership approach need to understand organisational ambidexterity, work with humanized management, and take decisions on evidence based management.
- It is corporate mission, vision and values that may provide the guidelines and help support everybody to find a balance and take proper action and decision.

LEADERS' ART OF BALANCING: THE COMPANY AND EMPLOYEES DURING COVID

Anagha Adishesha, Trinity Business School, looks at several key dimensions to leadership as a way to explore how to tackle the challenges faced by firms and employees post-COVID.

> **The leader has to set an example by leading others in the right direction and navigate when the water is rough.**

Related research: *When Boards Matter: The Case of Corporate Social Irresponsibility,* British Journal of Management, Vol. 00, 1 – 22 (2019), OI: 10.1111/1467-8551.12376 by Tanusree Jain, Trinity Business School, Trinity College Dublin and Rashid Zaman, Lincoln University.

YOUNG AGE DILEMMA

Going back in time, around 2009, my teacher was once busy with her work, hence made me the class leader. My duty was to ensure that silence was maintained in the class, and I was supposed to report back the next day in case of any breach. There was a conflict between two students. I was in a fix, I had to report it the next day. I was in a dilemma because one of the students in that fight was my best friend. I was not sure what to do. On one side was my best friend and, on the other, were my values which didn't allow me to lie. I shared my dilemma with my father. He advised me to have a look at Bhagwad Gita, the holy book of Hindus. I followed his advice and opened the book and found my answer in Chapter 3 verse 21:

कर्मणैव हि संसिद्धिमास्थिता जनकादयः |
लोकसंग्रहमेवापि सम्पश्यन्कर्तुमर्हसि || 20 ||
यद्यदाचरति श्रेष्ठस्तत्तदेवेतरो जनः |
स यत्प्रमाणं कुरुते लोकस्तदनुवर्तते || 21 ||

karmaṇaiva hi sansiddhim āsthitā janakādayaḥ loka-saṅ graham evāpi sampaśhyan kartum arhasi yad yad ācharati śhreṣhṭhas tat tad evetaro janaḥ sa yat pramāṇaṁ kurute lokas tad anuvartate

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This answered my dilemma. This verse means: "It is the duty of a leader to perform the work and set an example to the world. Because the actions of the leader are always followed by others. So, the leader has to set an example by leading others in the right direction and navigate when the water is rough". A leader must remember the responsibilities and at the same time the duty enabling a justifiable amount of balance.

Ethical dilemmas can be extremely stressful. Leaders ought to maintain a standard in all their actions. They are answerable to both vertical and horizontal chains when it comes to an organization. In this article, we shall investigate and understand how the leader manoeuvres during Covid and succeeds in saving the company as well as the employees. We will see the history of pandemics and further examine how servant leadership style is most effective. The importance of communication is highlighted to save the company and the employees. Tough times are when real leaders emerge.

HISTORY OF PANDEMICS

It is said that history repeats itself. Roughly about 100 years ago the globe was tangled in a similar standstill as today. That time it was the "Spanish flu" around 1918-19. Roughly about 30 million people were wiped out across the planet. The economy was at a complete standstill. In 2003, another virus created panic all around and was called Severe Acute Respiratory Syndrome (SARS). It spread in a very similar way as Covid-19 today. SARS created havoc by taking lives of more than 8,000 people as per the records of the World Health Organization (WHO). The worst hit during SARS were transportation, travel, and the hospitality industries. Coming to the present, the Covid-19 pandemic erupted around 2019 and was declared a Public Health Emergency of International Concern by the WHO in January 2020 and later as a pandemic.

ON-THE-GROUND CHALLENGES

The entire global economy has plunged and there is anticipation by the World Bank that there might be a further shrink of 5.2% in the economy. Such being the case, countries must help one another to withstand the repercussions. Economies must work together and reopen organizations and ensure that business runs smoothly in-spite of people working from home while maintaining social distancing norms.

However, the burden of ensuring organizational operations rests on the shoulders of leaders. Moreover, the responsibilities of the leaders in the organizations have become more important than before as they are expected to be like a compass and navigate their organizations during the crisis. The company and the employees are complementary to each other – and one can't exist without the presence of another. In essence, a company is an artificial entity and the burden is on the employees to play their role to keep the company running. Employees are the first and the most essential stakeholders who are directly affected. As such, the leader must ensure that interests of the employees are not compromised.

Now, the most important challenge for leaders today concerns the potential laying-off of employees because of lockdown and financial losses faced by companies. It is a fact that certain companies like Uber, Lyft, and Virgin Atlantic have already laid-off employees or are thinking of lay-off. Choosing between the company and the employees is a high-stakes decision which is not an easy task as the company survives on the hard work and the dedication put in by its employees. The element of risk is further accelerated due to uncertainty. Leaders are not always meant to take all the decisions strategically but should consider that they are connected inextricably to stakeholders and hence ought to be thoughtful and sympathetic. There is a need to look deep into the culture and values of the organization and accordingly make decisions.

Publilius Syrus, a Latin writer rightly says, "Anyone can hold the helm when the sea is calm". During the pandemic, it is essential that a leader remains humane while indulging in the decision-making process. The pandemic challenges Maslow's hierarchy of needs which is used to study how humans intrinsically partake in behavioural motivation. As stated by Daniel Goleman it's "Amygdala Hijacking". This triggers the psychological aspect of safety among the employees. The next snag faced by the leaders is to understand which leadership style works out the best during the time of the pandemic. Every employee is under the fear of losing their job – this increases the duty of the leader more than ever. The human rights-based approach mentioned in the United Nations Guiding Principles helps to strike a perfect balance during the crisis. It encourages the leader to work in the stages of Respond, Recovery, and Thrive (which is an upcoming type of approach) to check how the decisions taken at the top management level affect the lower chain in the organization.

A true leader is the one who can create a balance between saving both the company and employees. It must be acknowledged that the employees have contributed to the overall growth of the company during good times.

SERVANT LEADERSHIP

The pandemic has created a severe leadership crisis, causing tremendous psychological stress. Leaders need not have a pre-defined plan on the way to respond but should have a positive mindset and behaviour and should not over-react. They ought to remain calm and composed. The leader should trail blaze others and keep the organization afloat. They should be empathetic towards the employees. The pandemic has hit everyone rich and poor; it is the duty of leaders to spearhead the implementation of changes.

A leader must drive the organization forward by encouraging the employees not to be emotionally or psychologically let down, and new opportunities and inspire the team. The leader must understand the mental health of the employees and try being humorous and act with a purpose. An authentic leader is one who can gain the support of the employees and enable swift changes in the working conditions during emergence. The best example for this is Unilever, which was able to move swiftly and smoothly by converting its entire Spray manufacturing unit into sanitizer manufacturing with the top management lending full support to the new endeavour.

Being ethical and transparent is the need of the hour. A study conducted during the time of Spanish Flu showed that there was an overall reduction in the staffing has an identical effect on the performance of voluntary turnover. Lay off of the employees for ensuring the survival of the organization is never an option. Top administration can set up an HR Rapid Response Team in their organization to ensure that all the employees are comfortable both mentally and physically and ensure that they are adequately supported while working from home.

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COMMUNICATION AS A SOLUTION

A Deloitte survey has shown that transparent communication from leaders in general has more value and can make the change implementation smoother. It is also noted that clear communication creates a sense of security in the minds of the employees who can continue to work to their full potential. It further uplifts trust-building which enhances the capacity of the organization to make changes in the strategy and reset its priorities. Communication acts as a bridge between uncertainties and reality. During the time of crisis, it is of the utmost important that leaders and employees share trust and ensure that there is transparent, fair, and truthful communication. Keeping in mind remote working which is a reality today increases the fear of being laid-off and losing your job. But when the gate of communication is kept open it reduces stress and increases calmness, clears the fear, and makes the employee confident.

Leaders must keep the company moving. Proper communication is most essential during a pandemic, where leadership is seen as more of a supportive element. Research in Hong Kong during the SARS pandemic found that there was an increased social connectedness which enabled a reduction in negative health impacts and acted as a catalyst to make work more enjoyable amidst the difficulties.

A PRACTICAL SOLUTION

A law firm in India employing about 50 people was in a similar situation. From the office boy to the partner of the firm, they found themselves in a tough situation when the courts were closed during Covid. The partners of the firm called for a meeting to communicate on the situation. Many thought they would lose their jobs. But the leader came up with an innovative solution, believing that furloughing staff was not ethical practice. It was assured that all the employees would be paid their salaries and that there would be no layoffs at any cost. But this suggestion came with a condition. The leader stated that each employee would receive only 50% of their actual salary and that the senior partner would not withdraw more than 1lakh per month. At first glance, salary reduction demotivates any employee, yet during the crisis, it generated positive vibes.

The pay cut was one of the best strategic moves possible during a crisis like this. The leader managed to keep the company afloat and at the same time ensure that none of his employees faced any hardship. The decision was quick and well accepted as there was clear communication, the leadership following a servant leadership style and setting an example in the organization. They reduced their salary to 50%, assuring people that they were all together during this crisis. All this requires a change in mindset and the behaviour of the leader and the employees.

CASING IT UP

Leading organizations during the pandemic is not an easy task as the leaders are under pressure to ensure that there is no reduction in the organization's quality of work. During a time of crisis, it is fundamental that the leader and employees share trust and ensure that there is transparent, fair, and truthful communication. Responsible communication creates a sense of ethical behaviour when it flows directly from top management. Showing appreciation upholds the feeling of being inclusive and sets a clear common purpose. ///

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KEYS TAKEAWAYS

- During times of crisis, it is of utmost importance that the leader and employees share trust and ensure that there is transparent, fair, and truthful communication.
- Servant leadership is the most effective approach to implement, and leaders should set an example to the employees and make them aware that even leaders are facing the same issues and that they are all together in this difficult time.
- Lens of viewing and understanding the leader has drastically changed, it is seen that in situations like these strategies alone do not work and there is a need for a more empathetic, compassionate and morale approach to be considered.
- Leaders must act like a lighthouse that stands strong and gives hope to the ships no matter how bad the weather is.
- Research shows that overall reduction in staffing has the same effect on performance as voluntary turnover in an organization.
- Leaders must make a proper balance between saving the organization and ensuring that there is no reduction in employees.

BUSINESS & SOCIETY

TOP READ 2021

MIXING YOUNGER AND OLDER EMPLOYEES AT WORK: WHAT COMPANIES CAN LEARN FROM SOCIAL INNOVATORS

Profs. **Concepción Galdón** and **Laura McDermott, IE Business School,** together with healthcare consultant **Bárbara Rey** and **City University of New York** Prof. and social innovator **Terry Huang,** research the issue of collaboration between generations, with social innovation proving a model from which for-profit companies can learn.

With kind acknowledgements to Prof. Concepción Galdón, IE Center for Social Innovation.

> **The inclusion of mature people between 55 and 70 years old emerges as an opportunity from both a social impact and a business management perspective.**

THE DEMOGRAPHIC TRANSITION AS A CORPORATE AND SOCIAL CHALLENGE

As life expectancies continue to rise, the growth of older segments of the population outpaces younger segments. In many regions, the companies and the societies in which they operate are being impacted heavily in terms of economics, society and health. Companies see how significant portions of their experienced workforce approach retirement while, in parallel, younger and less experienced talent pushes to join the workforce. This talent management challenge co-exists with growing cohorts of mature clients facing their life around the retirement age full of energy and projects for the future. The inclusion of mature people between 55 and 70 years old emerges as an opportunity from both a social impact and a business management perspective. In the face of these challenges, intergenerational collaboration is a powerful lever to unleash the talent of young and mature generations at the same time.

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Researching existing publications on the topic, we looked for trends on how large companies are engaging mature employees. From a high level, it appears that although many companies, thought leaders and consultancies talk about the value and best practices of intergenerational knowledge exchange, few provide a "fuller picture" as to how this has been implemented on the ground. A general theme that has emerged in early stages of our review is that the concept of "intergenerational knowledge exchange" is typically written about as a sub-category of human resource management or diversity initiatives.

In some cases, professionals have published opinion pieces about developing their own informal "mentor-mentee" relationship with colleagues from other generations. Such is the case for Airbnb employee Chip Conley, who openly spoke about his previous challenge in connecting with a predominantly millennial workforce. Conley cultivated a mentor-mentee relationship with a millennial co-worker, an exchange which helped both individuals to develop skills and competencies associated with each other's generation (1). This type of initiative appears to create great impact among the teams, though it appears that many of these stories - at least those published more broadly and in English - come from informal or serendipitous exchanges, as opposed to being formal programs that leverage the wisdom of more senior profiles.

Previous research developed at the IE Foundation by IE's Observatory for Demography, found that there was an increasing demand from European companies to understand how best to cater for senior talent and the later phases of their working lives (2). Subsequent research on European companies shows that there is beginning to be a higher prevalence of formalised programs for intergenerational knowledge sharing, mostly taking the form of mentorship – from senior to junior, from junior to senior or bi-directional. That being said, mentorship is not the only solution for an intergenerational strategy. In fact, there could be many more opportunities that are underexplored but which could add notable value to business and society.

INTERGENERATIONAL COLLABORATION BEYOND MENTORING

There are other interesting strategies that leverage senior talent. For example, in other cases, we see senior-level wisdom being valued by companies in an outsourcing capacity. The Grey Matters Network (GMN) is an example of a business model that has been established to address a gap in the intergenerational knowledge market. According to an interview with GMN in the Irish Times, GMN has "recently been approached by an organisation looking for mature workers for customer-facing positions because its customer base is 50-plus and it wants their customers' queries to be handled by staff with similar life experience (1)." Engaging senior talent, who can better understand and empathise with these customers, is an interesting strategy since those specific needs may not be obvious to a predominantly millennial workforce.

In order to look for more diverse examples of intergenerational strategies that might inspire companies, we have also mapped intergenerational social innovation projects in Spanish-speaking Iberoamerica. Social innovation projects serve as a radar for what those entrepreneurs, who are at the forefront of detecting and solving social needs, identify as problems and potential solutions to them. We have systematized the main qualities of these projects and, finally, we are abstracting from them the lessons learned that might be relevant in the corporate context. We are not suggesting a direct copy of models that work in social innovation to corporations. We are, however, taking the relevant elements of these models and offering those as inspiration for companies in search of ideas.

Looking to both sides of the ocean, there are some systematic differences. In Spanish- speaking Latin America, we found it more difficult to find intergenerational initiatives than in Europe. The explanation is twofold. On the one hand, Latin America is not undergoing as accelerated a demographic transition as in Spain, thus social innovators focus their attention on other issues. In Spain, the focus on intergenerational collaboration has emerged in a later phase of the demographic transition, whereas in the initial stages, the focus was on dependency. It seems that, in Latin America, the formal focus on intergenerational collaboration is still not a hot space for social innovators. That said, there are probably many more informal initiatives that cannot be detected due to a lack of web presence. This does not mean that intergenerational collaboration is not happening on the ground, but instead that it is not formally structured or visible. In Spain, the problem is more prevalent, there is more awareness about it and the social innovation/social economy sector is more organized and visible.

From the analysis of the projects we realize that the focus on fostering intergenerational collaboration is a relatively recent phenomenon. Of the 15 projects we identified and analyzed, 12 were founded from 2014 onwards. Another interesting element is that we found an even split of non-profit organizations and for-profit social ventures trying to make a difference by encouraging all generations to work together. In the case of for-profit social ventures, a notable trend is that very young companies, founded by young people, are targeting this kind of strategy as core to their business model. This could be connected to the social innovation background and the will to look for a higher purpose beyond monetization.

Social innovation organizations promoting intergenerational collaboration focus on different areas. We can categorize them in three main groups:

a) Inclusive lifestyle, including leisure, wellness & housing.
b) Work & Training, including employment, senior talent, leadership, etc
c) Research & Education, generating knowledge and awareness about this matter.

Of the projects we have identified, most work towards promoting an inclusive lifestyle. The next most prevalent category is work and training, and the last is research and education.

There is a trend among social innovators to create environments (physical, social and digital) in which mature people can pursue life projects, including leisure activities and hobbies, in collaboration with younger generations. With these contexts they promote knowledge exchange that happens organically in action. In the corporate world, one example of such initiatives is one of the winners of the awards by the "*Observatorio Generación y Talento*" for its generational diversity programs: Danone. This program, "*Dan Match*", connects employees from different ages and backgrounds to exchange knowledge and skills through volunteering as a "Time Bank". In this model, the more hours you give, the more hours you reap for yourself. There is still a great opportunity for companies to explore other topics, such as Intergenerational Education, Intergenerational Entrepreneurship and Intergenerational Coexistence, all of which create spaces for joint projects.

THE IMPACT OF UNLEASHING MATURE TALENT ON SOCIETAL WELLBEING

The growing number of social innovators working in this sector attests to the fact that beyond its direct impact in business, healthy ageing is an increasingly urgent global health challenge. While people are living longer, it is unclear if they are also healthier for longer or what their quality of life is like (3). There is great diversity in how people age and inequities throughout the life course directly contribute to health, social, and economic disparities in elderly adults. Elderly individuals who are the same age may have vastly different health conditions, quality of life and ability to function independently (4). The World Health Organization reports that "about 75% of the diversity of capacity and circumstance in older age is the result of cumulative impact of advantage or disadvantage across the life course (5)."

Older adults face many impediments to health and wellbeing. As the leading cause of death has shifted towards non-communicable diseases, older adults have a higher prevalence of multimorbidity (6). In the US, 61% of adults 65 years or older have multiple chronic health conditions (7). Social isolation, lack of social activity, and outdated stereotypes about ageing are also detrimental to older adults' health and wellbeing (6,3).

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This demographic shift will have many societal impacts. Work force participation, retirement and pension systems vary by region, but all have significant implications for seniors' engagement in society and financial independence. Unpaid caregiving by family members remains the main source of long-term care for seniors, but this can have a high toll on family caregivers and impact their ability to participate in the work force (6). The increasing size and share of the older population will increase long-term care and medical care costs. Most health care systems are not prepared for this demographic shift and their services are poorly aligned to meet the needs of seniors. Many systems focus on cures or the provision of acute care, rather than supporting long-term health or functional ability. Many systems also lack sufficient care coordination, leaving patients or family members to navigate multiple health issues on their own, further exacerbating inequities (3,4).

Mature people who are employed, active and fulfilled in their life projects are a powerful asset for our societies. Indeed, healthy ageing requires a paradigm shift away from a focus on being "disease free" and towards a more holistic focus on functional ability and wellbeing (3,4). We can unleash the upside of mature people's talent and energy while, at the same time, reduce the likelihood of early dependent ageing and morbidity and mortality. In engaging with mature populations, creating employment opportunities that are adapted to their needs and supporting them in life projects, companies are not only serving their own interest but will contribute to this paradigm shift that our society needs and that mature people deserve. ///

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KEYS TAKEAWAYS

- A talent management challenge co-exists with growing cohorts of mature clients facing their life around the retirement age full of energy and projects for the future.
- The inclusion of mature people between 55 and 70 years old emerges as an opportunity from both a social impact and a business management perspective.
- Intergenerational collaboration is a powerful lever to unleash the talent of young and mature generations at the same time.
- Senior employees can find a mentoring role within their organisations and we see senior-level wisdom being valued by companies in an outsourcing capacity.
- The researchers found an even split of non-profit organizations and for-profit social ventures trying to make a difference by encouraging all generations to work together.
- Most social innovation projects work towards promoting an inclusive lifestyle for seniors. The next most prevalent category is work and training, and the last is research and education.
- There is a trend among social innovators to create environments (physical, social and digital) in which mature people can pursue life projects, including leisure activities and hobbies, in collaboration with younger generations.
- The growing number of social innovators working in this sector attests to the fact that beyond its direct impact in business, healthy ageing is an increasingly urgent global health challenge.
- Mature people who are employed, active and fulfilled in their life projects are a powerful asset for our societies.
- We can unleash the upside of mature people's talent and energy while, at the same time, reduce the likelihood of early dependent ageing and morbidity and mortality.

NO TASTE, NO SMELL, BUT DEFINITELY A NEW VISION

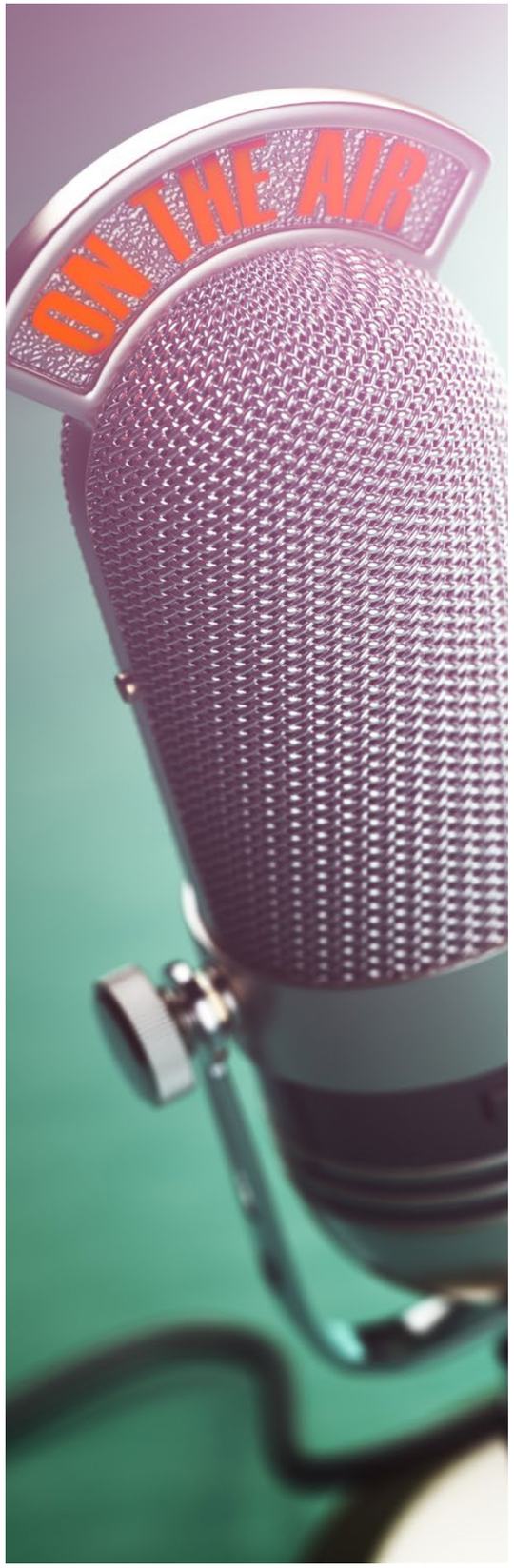
Barbara Verdade de Aquino Carvalho, FGV-EAESP Winner of the CoBS 2021 CSR competition, explores how the pandemic has weakened preconceptions on the role of women and strengthened their legitimacy for equal opportunity.

> **Women should be viewed as people who have the same capacities as any other, and who can get the job done.**

2020 started off as a completely atypical year. Children expected it to be another year to meet their friends and play while showing their tablets and exchanging filters on Instagram. Adolescents thought it would be another year for focusing on books and grades. Men were focused on their careers and women did not see another option besides continuing their daily jobs and fighting for equality while being mothers, employees and entrepreneurs. However, the COVID-19 pandemic changed previous perceptions – specially gender related ones, revealing women's crucial roles in society. Social media bears the main responsible for this change of impression – but what are the aspects covered by this change?

SEEN AS LEADERS

If the coronavirus spread caught the whole world off guard, country leaders were certainly one of the cases in which the surprise had to be put aside and dealt with, with just as much speed as the spread of the virus. With announcements of cases occurring in different comers of the globe, action was expected. People had their eyes watching leaders' every step to understand what action would occur to fight and mitigate the advance of the new disease. In this process, some names began appearing on the news non-stop, such as Jacinda Ardern, the Prime Minister of New Zealand. The PM caught attention by her speeches with concern and humanity contained in



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them, but also by the affirmative and strict tone that ordered lockdown measures and the closure of borders. While led by a woman, New Zealand's tough policies had great effect in avoiding the spread of the virus and guaranteeing the well-being of the population. There is no doubt that factors such as type of regime, governance system and size of country influence the effectiveness of the leadership in current times[1]. However, the greatness with which female leaders dealt with the health crisis is also undeniable. But why just see it now? The moment came when society was fragile with a disease that was killing thousands of people, and feminine traits of being nurturing and trustworthy, combined with their tendency for preventive action and resilience. This context provided an opportunity for women to be seen as strong, communicative, caring and safe leaders. They had a chance to put into practice who they were and show that show that they were as equal as, or even better than, men.

SEEN AS HEROES

There is an image that was certainly repeated in hospitals all around the world during the pandemic. It shows doctors and nurses all suited up with their individual protection equipment holding sheets of papers on which was written the following phrase: *We stay here for you, please stay home for us*. All of these pictures have one thing in common: in all of them there are several women. According to the United Nations[2], 70% of health and social care workforce are women. They are doctors, nurses, midwives and community health workers. They already had important roles that increased in value with the pandemic as they became responsible for dealing directly with patients infected with the virus, putting their lives in danger, and having to be distant from their families and friends. Their importance grew more than anyone else since they were at the center of everything. These women have daily shown their braveness, courage and determination to change a situation and fight for people, and in numbers they certainly showed how they grew in importance in the health sector. Their role in both hospitals and society is critical in a pandemic situation. In this specific case, they showed how jobs considered feminine – such as nursing –commonly taken for granted and put aside, were extremely significant when fighting the virus. This may well open a precedent for other professions.

1. Windsor LC, Y anniteU Reinhardt G, Windsor AJ, Ostergard R, Allen S, Burns C, et ai. (2020) *Gender in thc time of COVID-19: valuating national leadership and COVID-19* fa1.11ities. PLoS ONE 1 S(12): e0244.53 l. hll ps: 1,doi .org l O. 13 71 tjoum:tl .pon~ .0244 53 l
2. https://www.1111women.org/-/media/headquarters/attachments/sectionsllibrary/publications/2020/gendcr-equality-in-the-wakc-of-covid-19-en.pdf71a=en&vs: .5 J42

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SEEN AS MAGICIANS

As lockdown and social distancing started being implemented, businesses had to find a way of surviving, and they did so by adopting remote work. Working remotely came with both positive and negative aspects. As time spent travelling decreased considerably, working times increased for both office hours and home hours. The house – occupied for the whole day, coexistence with children, and the necessity of more frequent chores became a new reality to which people had to get acquainted with. However, those who truly had to adapt to this new way of living were mostly men. Why? Because women knew and know exactly how it feels, and how tiring it is, to end one shift and go to another. Women are familiarized with the double journey of ending their business day and getting home to start their family and home shift, in which they need to take care of their children, and in some cases care for their husbands, do their house duties, take care of themselves and prepare for the following day. What happened was that when the new coronavirus hit and everybody in households had the same routine, the first reaction was of shock, thinking about the reality and capacity of women in dealing with such a number of responsibilities and still managing to do everything. It's almost like magic.

WILL THE NEW VISION BE A PERMANENT SEQUEL?

The doubt that remains is if this new vision brought by the COVID-19 pandemic will became a new perception and stay with people; or if reality gets back to what it was before with people continuing to ignore women's strength and capacity for doing exactly same things as the opposite sex. The pandemic hit and increased years of inequality, bringing unemployment and widening the gap between men and women in different sectors of society. To counterbalance this negative trend, women gained more visibility and more attention during this period and it could be considered an example of success.

They showed how their beliefs were converted into actions and made a change In a time were society needed it the most. In the internal environments – their houses – they could teach and be examples of how determination and disposition are the key to getting things done. Nonetheless, calling women heroes and magicians makes them seem extraordinary – and that is where the problem lies. Women should not be viewed as extraordinary. Even though the number of assignments they daily have could deserve such an adjective, they should simply be viewed as people who have the same capacities as any other, and who can get the job done. At least, in this sense, the coronavirus has cleared the picture. Hopefully, for society it will be permanent, and the vision will stay clear to the capacity women have and their legitimacy to opportunity. ///

KEYS TAKEAWAYS

- Women characteristics and traits, such as being emotional and caring, usually take for granted and ignored for higher positions in the job market could be and were shown as differential is a context such as a health crisis.
- In ordinary times, jobs related to the feminine are not well valorised, but when in a time of crisis, they involve risk and saving lives, they suddenly matter, and that could open precedents for future times.
- Women's fight from years all seem to go to people' s eyes suddenly because of the extraordinary context of the pandemic but with the same speed they carne, they might disappear, also because of the extraordinarily with which they are seen.
- The COVID-19 created a context where women could be themselves and express their kindness,strength and braveness while not being judged for having what are considered male attitudes.

FIRMS AND TECHNOLOGY: ACHIEVING GOOD IN BUSINESS AND SOCIETY

How will technology shape the future? And how can companies leverage it for both the good of business and society? **Grace Gollogley, Trinity Business School** Winner of the 2021 CoBS CSR competition, explores.

> **When used for good, new technologies have had transformative and positive effects on society.**

Imagine that it's 2071 and that you need a kidney transplant. Take a leap of faith and imagine that in fifty years' time we will be able to 3D-print organs. Hospitals won't use donor kidneys anymore-they will source them from an as-yet fictional company called Prorgan which bioprints or 3D-prints organic matter. As an Irish patient in 2021, the average waiting period to receive a donor kidney is three years (Beaumont Hospital, 2021a); in 2071 you'll only have to wait as long as it takes for Prorgan to print the kidney and deliver it to the hospital. In 2021, post-operative complications like infection and organ rejection are experienced by the majority of patients (Beaumont Hospital, 2021b). These risks are now greatly reduced with 2071's better surgical procedures, and as the Prorgan kidney is made using your own cells you will not have to take anti-rejection drugs (Weinersmith & Weinersmith 2017).

Prorgan is very different from the average medical supplier of 2021 not only in its product offering but also in the way it manages its internal operations. The firm uses augmented reality to train doctors to handle and transplant its kidneys more safely and efficiently, and like all businesses in 2071, Prorgan is connected to an Internet of Things (IoT) 'smart-grid'. Interconnected sensors feed real-time information to a water and power systems management hub, minimising Prorgan's environmental impact.

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A REALISTIC VISION?

The way Prorgan uses IoT, augmented reality and bioprinting is how I imagine the firms of 2071 might use technology, applying it in ways that are good for the triple bottom lines of people, planet, and profit. However, this is just one vision of the future. What if Prorgan decided to use IoT differently, tracking its employees via wearable devices to ensure it had a healthy and loyal workforce outside working hours? Could Prorgan use bioprinting to engineer premium body parts for those affluent people who want superhuman capabilities? In this Kafkaesque vision of the future where privacy is invaded to an unprecedented degree and there are potentially two types of human, it's doubtful whether technology is employed for the good of all.

We don't know what technologies will be available in 2071, and we don't know whether the firms of the future will use new technologies for economic, social and environmental good. What we do know is that there will be new technologies, and that the choices on whether and how we use established and emerging technology for societal good have to be made. In order to make these choices, we first need to look to the past to see why we should be using technology for good.

THE CASE FOR 'TECHNOLOGY FOR GOOD'

Technology has always polarised. People fear and revere the advent of new technology in equal measure, with the techno-optimists among us embracing emerging technologies while others are more reluctant. Writing on networks in his 2019 book 'From Gutenberg to Google', Tom Wheeler acknowledges how people can feel threatened by new technologies, quoting Thoreau- "we do not ride on the railroad, it rides on us". It is a mistake, however, to think that a technology in itself can be moral or immoral and should be treated accordingly. As a practical application of knowledge to a problem (Merriam-Webster, 2021), technology itself is neither good nor bad-it is our responsibility to decide for which it is used.

When used for good, new technologies have had transformative and positive effects on society, especially over the last two hundred years. Business has played a big part, with the technological advances of the Industrial Revolution leading to mass industrialisation, the opening up of consumer markets and managerial capitalism. A McKinsey Global Institute (MGI) report on technology for good details the results of these events (Bughin et al., 2019), including an over 245% increase in life expectancy globally since 1800 (Riley, 2005). World GDP per capita has increased twenty-three-fold since the Industrial Revolution, showing that technology greatly boosts productivity (MGI, 2018a). This in turn causes wage growth and falling unemployment (Bessen, 2017). The positive economic effects of technology adoption are set to continue, with MGI forecasting that 'AI adoption could raise global GDP by as much as $13 trillion by 2030' (2018b).

Used rightly in business and in society, technology can bring about all of these benefits and more. However, even when used for good there are downsides to technology adoption. Since the Industrial Revolution, carbon dioxide emissions have increased in lockstep with GDP and economic growth (Ritchie & Roser, 2021). When countries use technology to become more economically productive, the gap between the rich and the poor widens, leading to greater inequality and income polarisation. The rise in automation can cause the redundancy of manual workers and wider job displacement in the labour market. New technologies such as nuclear energy and chemical weapons create ethical concerns that must be addressed. Despite these concerns, however, past technology adoption has largely had good results.

Having established the positive effects that technology can have on economies and society, we can appreciate how important it is for the firms of today and tomorrow to use it for good in their business practices. Many firms already use technology in employee training, operations, product offerings or in broader corporate social responsibility initiatives to significantly improve results for all stakeholders. By examining the efforts that companies have already made to use existing and emerging technologies for good, we can create a framework of steps for other firms to follow that will enable them to do the same with familiar and future technologies alike.

TECHNOLOGY FOR GOOD STARTS AT HOME

Before turning its attention to societal outcomes, a company should first ensure that it is using technology for good to maximise its own value and streamline operations, while considering all of the stakeholders involved. If the company's own economic health and the health of its employees is assured, societal benefits will surely follow.

Petrosea is an Indonesian mining firm which has used several emerging technologies to improve every aspect of its business (McKinsey Digital, 2020). Smart sensors installed on Petrosea's fleet of trucks enable the predictive maintenance of the vehicles. The company can now predict and address breakdowns before they occur, using fewer vehicles and extending the trucks' lifetime. Artificial intelligence is used to more quickly find the gold, copper and nickel used in electronic devices-speeding the process of electrification and the transition away from coal. Finally, by training employees with a mobile app with the latest gamification technology, Petrosea's staff are more engaged and more likely to complete the training – reducing mistakes and on-the-job danger.

Swedish telecommunications company Ericsson also implements technology for good across its operations. In its Tallinn manufacturing facility, Ericsson installed a dedicated cellular network for the IoT technology it employs to increase sustainability, worker safety and efficiency. Augmented reality, autonomous vehicles and sensors "allow massive real-time data collection and analytics and intelligent automation on the factory floor" (Ericsson 2019).

Petrosea and Ericsson's applications of technology to improve core business activities are undeniably good for profits. However, the companies' employees, customers and the public gain a lot too, with safer workplaces and more fulfilling jobs, better quality products and a move away from carbon-intensive industry. Technology for good should start at home- the benefits for society will follow naturally.

INVOLVE MULTIPLE STAKEHOLDERS

Part of Milton Friedman's famous argument (1970) that firms don't have any responsibility to society bar profit-making is that executives don't know how to spend the shareholders' money for social good. This is why cooperating with multiple stakeholders is so crucial. Most companies are not created with a specific social mission, and their expertise lies elsewhere. MGI (2019) finds that technology companies need to communicate with employees, customers, suppliers, partner organisations and government to discover how they can best use their capabilities. Equally, it is incumbent on entities who are not expert in technology to liaise with those who are.

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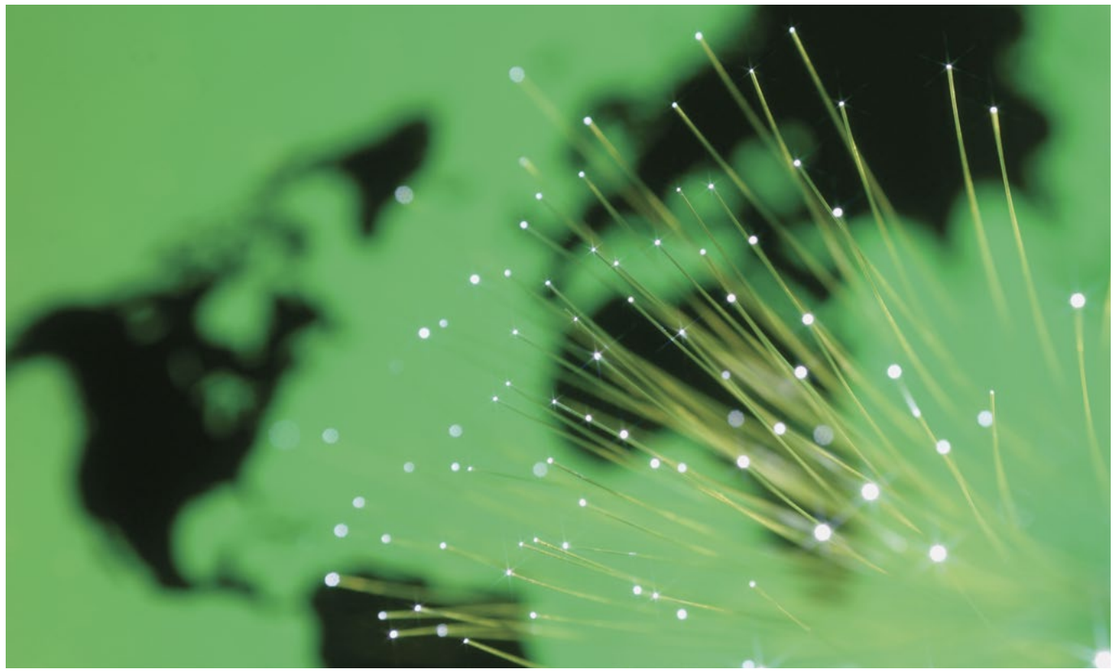

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A 2020 Technology Ireland Tech4Good Award finalist, Liberty Information Technology, is one company which has partnered with another organisation to use technology for good. The firm developed an app with the Dublin-based charity organisation Inner City Helping Homeless (ICHH). The app performs functions such as recording the location of the homeless people volunteers encounter and digitising stocktaking on a real-time basis, allowing the charity to better direct its services and manage its resources more efficiently. Another company which has partnered with a charity to use technology for good is Vodafone Ireland, helping the child protection charity ISPCC Childline to build a new digital platform (Vodafone Ireland Foundation, 2021).

Partnership isn't just important in CSR initiatives. Global telecommunications company Ericsson (2019) has collaborated with stakeholders such as the Brazilian government, Venezuelan refugees, the Italian port of Livorno, and companies such as TELE-POST in Greenland and Telia in Sweden to optimise its own operations and also carry out commercial projects for good. The expertise of companies like Vodafone and Ericsson lies in technology-but alone they don't know where and how to use it to achieve the maximum benefit. For charities like ICHH, the only way that they can implement technology for good in their work is through the expertise of larger, commercial entities like Liberty IT. Technology for good requires symbiotic relationships.

THE NEED FOR DIGITAL ETHICS

Consulting firm Accenture (2018) makes the case that firms should use digital ethics when adopting new technologies for good, particularly in the case of emerging and unproven technologies such as artificial intelligence. Models like PwC's responsible AI framework (2021) should serve as aids to implementing AI and other emerging technologies for good in business. Equally, MGI (2019) describes six areas in which technology could have positive impacts-job security, material living standards, health, education, environmental sustainability and equal opportunities. Companies should assess what effects their proposed use of technology will have on these areas and on internal business functions-seeking to achieve the maximum good while minimising negative impacts on privacy, the environment and labour market disruption. Companies can also refer to the aims of intergovernmental organisations such as the United Nations to ensure their efforts are ethically sound. Each of Ericsson's 'Technology for good' projects is underpinned by at least one UN Sustainable Development Goal (SDG). In the Middle East and Africa, Ericsson's Mobile Financial Services platform allows previously unbanked citizens to access financial services like savings and loans, supporting the SDGs of no poverty and decent work and economic growth. Prompted by the Brazilian government as a response to the needs of Venezuelan refugees, Ericsson launched the Technology for Good @ Roraima project in 2017. Better connectivity enables the refugees to keep in touch with those left behind, while a digital inclusion lab provides training, addressing the goals of reduced inequality and better education.

PREPARING FOR THE FUTURE

It's impossible to predict exactly what technological developments will be made in the next fifty years, and it's impossible to know what business and society will look like in the future. Ideally, firms like Prorgan would use technology that today we can only dream of to deliver good for their customers, employees, business partners, wider society and the planet. But in order to achieve this, firms need to start thinking about how they can best use and take advantage of whatever technology they have at their disposal, be it established or emerging. By using technology to improve their core business activities, collaborating with different stakeholders and by adhering to digital ethical standards, companies will not only be well placed to achieve technology for good in business and society today; they will also be prepared to achieve it in the future with whatever technologies they encounter. ///

KEYS TAKEAWAYS

- In and of itself, technology is neither good nor bad, it is us who decide whether it is used in a good way or a bad way.
- When used for good, technology is instrumental in maintaining and increasing economic growth and societal welfare.
- In order to achieve technology for good in business practices, firms should first use technology to improve their own operations, work with stakeholders to ensure that the maximum benefit is derived from technology, and refer to a set of digital ethical principles during the process.
- These steps should enable the firms of today to improve their application of established and emerging technologies, and enable them to develop the skills required to use future and unknown technologies for good.

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NEVER ASSUME: THE PURSUIT OF "TECHNOLOGY FOR GOOD"

> **Adopting a "technology for good" strategy requires seeing beyond the dominant narrative surrounding an innovation or new purchase.**

Achieving "technology for good"in business practice is more complicated than it might seem at first glance. **Patrick Hinton, Warwick Business School** Runner-up in the 2021 CoBS student CSR article competition, takes a long, hard look at the checklist to bear in mind to make tech4good happen.

Imagine that it's 2071 and that you need a kidney transplant. Take a leap of faith and imagine that in fifty years' time we will be able to 3D-print organs. Hospitals won't use donor kidneys anymore-they will source them from an as-yet fictional company called Prorgan which bioprints or 3D-prints organic matter. As an Irish patient in 2021, the average waiting period to receive a donor kidney is three years (Beaumont Hospital, 2021a); in 2071 you'll only have to wait as long as it takes for Prorgan to print the kidney and deliver it to the hospital. In 2021, post-operative complications like infection and organ rejection are experienced by the majority of patients (Beaumont Hospital, 2021b). These risks are now greatly reduced with 2071's better surgical procedures, and as the Prorgan kidney is made using your own cells you will not have to take anti-rejection drugs (Weinersmith & Weinersmith 2017).

THE BOW WAVE

The Covid-19 pandemic has provided a windfall for technology. National lockdowns and travel bans forced the embrace of videoconferencing and virtual classrooms. As stay-at-home orders spread around the globe, time spent online skyrocketed. Loved ones were physically separate but able to share experiences via the internet. People loved, laughed, and

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lost through the webcam's all-seeing aperture. Businesses adopted novel ways of working, procuring, and delivering. Second-order effects saw commutes disappear and their associated pollution collapse. Likewise, technology has played a vital role in the fight against the virus. Complex models aided governments in planning their responses and facilitated the rapid hunt for an effective vaccine. Consequently, it helped the swift dissemination of doses around the globe.

These developments sound like a resounding success for the «technology for good» movement, which strives for positive social outcomes derived from technical developments.

Nevertheless, the vast benefits of this revolution have been met with a more insidious force. Achieving «technology for good» in business practice is more complicated than it might seem at first glance.

THE DARK SIDE

Technology is not neutral. It is brought into being by designers and engineers, each of whom has different outlooks, perspectives, and frames through which they operate. Some questionable behaviour on Zoom calls might be overlooked as quaint. However, inequities are reinforced by technology presumed to be an ambivalent, or even positive, force. Machinery and software should provide support and ease menial tasks, freeing people to focus on creativity and positive outputs. It should not hold employees to an unrealistic standard or reduce them to mere cogs in a machine. Using technology to limit lavatory breaks and enforce a relentless working pace does not enhance social good. Such policies increase stress and reduce well-being. An insatiable profit motive undermines the paradigm of «technology for good». For example, the gig economy is a regularly cited arena where technology rules with an iron fist. Workers are at the whim of the algorithm, sacrificing all control. Recognising the difference between using «technology for good» in a very narrow sense versus a broader, holistic, and wholesome good is crucial. The measures mentioned above no doubt help managers with revenue and productivity targets. From that viewpoint, technology is being used for a positive end.

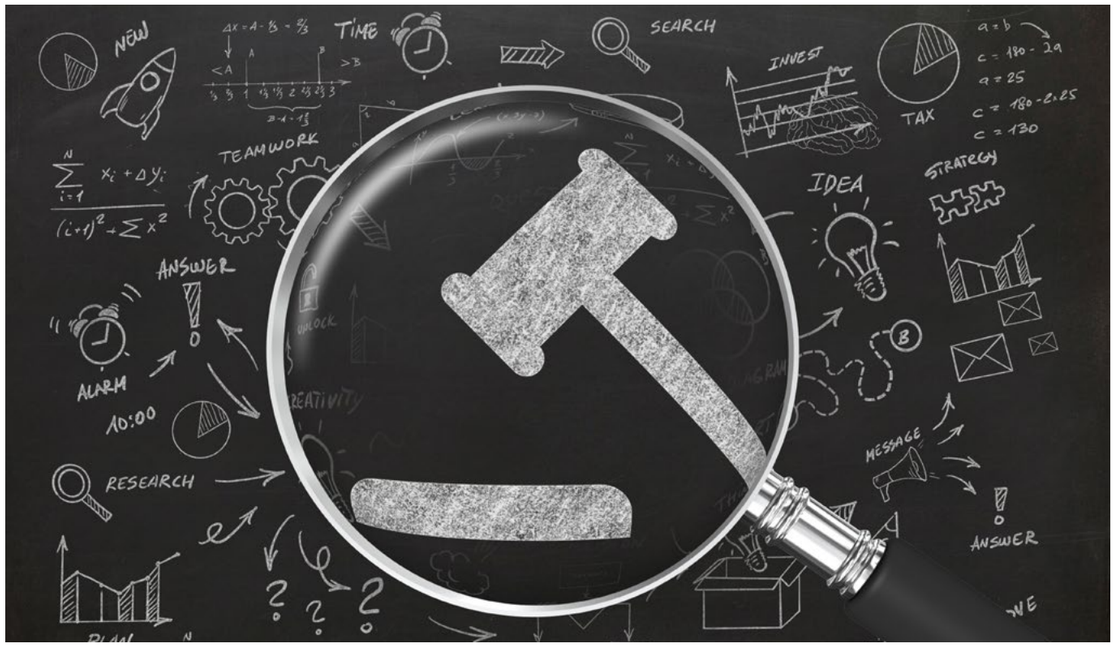
Perspective plays a significant role in this arena. All these technologies profess to support a positive outcome. In a way, that is correct. These protocols appear to enhance some facet of life or business. Nevertheless, it is necessary for businesses, technology officers, and general managers to look through a broader lens to identify their route to good.

THE ROUTE TO GOOD

Adopting a «technology for good» strategy requires seeing beyond the dominant narrative surrounding an innovation or new purchase. The path of least resistance is rarely one that will prove beneficial in a broad sense. March 2021 saw 150,000 security cameras in schools, hospitals, and prisons accessed by a group of hackers[1]. The camera manufacturer had focused on one output, providing video coverage while neglecting to consider the chance of a security breach. Equally, Cambridge Analytica exploited low barriers to entry whilst hoovering up millions of people's personal details on the coattails of a popular Facebook quiz game.

Firms should dedicate personnel and resources to ensuring that the technology they employ has a net positive outcome. Computer-generated images offer many benefits, but deep faked politicians can undermine democratic process. Equally, commentators herald the end of driving jobs as autonomous transport develops, causing labour market upheaval. Moreover,

1. Turton, W., *'Hackers Breach Thousands of Security Cameras, Exposing Tesla, Jails, Hospitals'*, Bloomberg, 9 March 2021.



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social media was designed for wholesome relationships, yet now requires armies of moderators to manage violent and illegal content. Technology will never publicise itself as having a negative effect. It will not bring attention to itself as causing harm. As such, it is essential to ask questions over and above a technology's principal utility.

LOOK BEHIND THE CURTAIN

Many companies have bought software to help them sift through resumés. Ostensibly, they help sort the wheat from the chaff and save human resources departments time. The software has been trained on data sets and can be given parameters to ensure only qualified candidates get to the next stage. However, this software can suffer from unconscious bias. Amazon stopped using one such tool when it was shown to discriminate against women[2].

Equally, the perils of social media have been recounted in much detail, from the unauthorised sharing of personal information and bullying, through to fake news and improper election influence. People can share experiences and ask for advice, obtaining instant feedback. At the same time, such channels are employed for bullying and harassment of the most severe kind. Companies employ instant message like Slack and Skype in order to provide frictionless communication. However, as Georgetown University professor Cal Newport notes, incessant notification and distraction can undermine any productivity gains, resulting in a net loss[3]. This concept is crucial when considering technology as a social good. New technologies come with costs and benefits. Data centres allow for the storage and processing of immense volumes of information. However, their energy usage is astronomical, with some quantifying it at one per cent of global power consumption[4]. The benefits and costs should be quantified and justified. This may require indirect solutions such as carbon offsetting for crucial protocols which are not yet energy efficient.

Trying to quantify the abstract, and potentially qualitative, costs and benefits of new technology may strike fear into the hearts of analysts and managers alike. However, one does not need to be a programmer or computer scientist to get a holistic perspective on the potential implementation of technology in a business. A simple question set can reveal a surprising amount of helpful information.

ASK QUESTIONS LIKE AN IDIOT

The 5Ws & H – who, what, when, where, why, and how – are trusted companions when trying to get to the bottom of an issue. Sometimes known as the 'idiot questions', their utility is significant. Used by journalists and law enforcement professionals, the inquiries can also support the pursuit of «technology for good» in business. Managers looking to employ a new technology should use these simple questions to dig into the weeds around its primary use. Who is benefitting from the implementation? What blind spots might there be? When should it be implemented? From where is it best managed? Why is this software suitable for the company? How will the local community be affected?

2. Dastin, J., *'Amazon scraps secret AI recruiting tool that showed bias against women'*, Reuters, 11 October 2018, (accessed on 26 March 2021).
3. Park, W., *'How to escape the 'hyperactive hivemind' of modern work'*, BBC, 15 July 2019, (accessed on 25 March 2021).
4. Ratka S. & Boshell F., *'The nexus between data centres, efficiency and renewables: a role model for the energy transition'*, Energypost.eu, 26 June 2020, (accessed on 24 March 2021).

It will not feel natural to be so interrogative, but paying a little attention before implementation will pay dividends. This exercise can be done on an extravagant spreadsheet or simply an A4 piece of paper. Likewise, incorporating the opinion of a wide variety of stakeholders will help illustrate the potential for both positive and negative outcomes.

INVOLVE EVERYONE

Nicholas Taleb's 2018 book, Skin in the Game, offers a valuable thesis[5]. Taleb believes that if people pay no penalty when a decision goes wrong, there is little incentive to ensure a positive outcome. Decision-makers should canvas a wide variety of opinion to help prevent unintended consequences. This will broaden the considerations taken when developing or implementing new technology. What becomes apparent when forging such a path is that there will be no clear-cut answer. Categorising a technology as good or bad does not do justice to the ambiguity of reality. Much has been discussed of the work from home revolution precipitated by the pandemic. Working from home means more time with children, less money on rail fares, and embrace a new agility in the workday. That said, there are those who need physical human interaction to thrive. Moreover, the office can provide a haven from domestic tensions. Working from home is associated with isolation and loneliness for some people. Considering these nuances will enhance a business' ability to use «technology for good». Businesses and managers should account for and promote how their different business units can employ technology. For example, any company with a geographic dispersion should take care to account for local variations. This being said, and despite the best intentions, it is not always possible to plan for every eventuality.

BE PREPARED TO CHANGE COURSE

Be pragmatic. After the implementation of a new piece of technology, it may become apparent that the areas discussed above come to fruition. There may be unintended consequences. It might prove impractical to employ a new technology positively. Modern narratives of political and business U-turns make people fearful of changing their mind when new information presents itself. Seeking to employ «technology for good» is a favourable target for businesses. Covid-19 has acted as a catalyst for the adoption of new practices, often supported by novel practices. Finding an effective way of employing technology requires businesses to look beyond the sales pitch and involve all stakeholders in procurement and implementation decisions. Finally, if a new adoption does not meet the criteria discussed above, and a net social loss is apparent, businesses and managers must feel confident enough to change course. ///

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KEYS TAKEAWAYS

- Using technology as a force for good is an active choice, not a passive occurrence.
- Technology will always be marketed as a force for good, and it is up to the consumer to take a broader perspective.
- Using a simple question set – the 5Ws&H of Who, what, when, where, why and how – can help check for blind spots in a procurement plan. By doing this, it is possible to take more control over business decisions and avoid unintended consequences.
- Technology will never be all good or all bad. It will appear positive to some whilst appearing harmful to others. Technology should be employed with this in mind and cater for variation in reception.
- Prepare to be wrong, and do not be afraid to reverse a decision. A new wonder technology may prove to be divisive, disenfranchising some employees or customers.

5. Taleb, N., *Skin in the Game,* (London: Allen Lane, 2018).

TECHNOLOGY AND HUMANS: ONE PATH

Livia Kuga, FGV-EAESP finalist in the 2021 CoBS CSR competition, looks at the rise and place of technology in our lives and contends that greater efforts should be made to improve interaction between man and machine.

1-2 million years ago, humans discovered fire. 3,000 years ago, we learned how to use bronze and iron. 3-3,500 years ago, the first written languages were developed. In 250 B.C.E, Ancient Egyptians invented lighthouses. In 1609, Galileo built a practical telescope. In 1703, Gottfried Leibniz created the binary number system. In 1901, Guglielmo Marconi sent radio-wave signals across the Atlantic Ocean. In the '70s Microsoft and Apple was founded. And in 1989, Tim Berners-Lee invented the World Wide Web (www). And each day, we see new technologies arriving.

Technology is the creation of value through mental and physical effort, which means that whenever human beings create more sophisticated tools or systems to make life easier or comfortable, it's Technology. So, Humankind as we know it created Technology and has always found a way to work together. One can't exist with the other, because Humans are trying to find a way to better survive and to live.

TECHNOLOGY TODAY

As fire came and never left more than one million year ago, machines, data and science arrived and have become an established part of our life. Further predictions have been made in movies such as *Artificial Intelligence* (2001) directed by Steven Spielberg or *I, robot* (2004) directed by Alex Proyas.

> **The proximity between technology and man is inevitable.**

Since the rise of the Internet in the early 90's, we have seen many massive changes in the way we all interact with each other. Although we are not yet living in space, The Jetsons cartoons have never been so real. Today, many people have an «Alexa» and the Internet of Things can be found in our homes and our lives. There are even mental diseases associated with technology – nomophobia (fear of going out without your phone), textaphrenia (fear that you can't send or receive texts) and phantom vibrations (feeling that your phone is alerting you when it really isn't).

In 1996, General Electric (GE) and Shell were the biggest companies in terms of market capitalization. In January 2020, Apple and Microsoft were on the top. In the '90s, the infrastructure industry was the main vision. At that time, that was a way to get closer to the consumers. Less than thirty years later, the Big-techs have taken over. And it's all about connection and interaction.

According to the Pew Research Center, 81% of Americans owned smartphones in 2020. Nowadays, a large part of the world is interconnected through a phone or a computer. In one click, we can talk to someone in China or Russia or anywhere else. We, as society, have become an interconnected and multi plural world.

In less than thirty years, once-imaginary technology has become increasingly real. And the question is: if technology has come and stayed, what should we be doing to make the best of man-machine interactions?

WHAT WE CAN DO TO CREATE A BETTER INTERACTION BETWEEN MAN AND MACHINE

According to the World Economic Forum the pace of technology adoption is accelerating. They expect that by 2025, the time spent on current tasks at work by humans and machines will be equal. By that year, there might be 97 million new roles that are adapted to the new division of labour between humans, machines and algorithms. To fulfil this gap, we should improve the educational system so that our children learn about how to use and create technological tools. As such, when they enter the workforce, it will be easier for them to fit in.

There are already some schools with STEM (Science, Technology, Engineering and Mathematics) education, but this is not a current practice in the whole educational system. One good example of this kind of initiative is that which the World Bank Group (WBG) created, now present in more than 80 countries through partnerships with governments and organizations. The main goal is to support innovative projects and create more «edtechs» to strengthen learning. The WBG understood that digital content can be distributed across multiple delivery channels and that education systems must prepare multi-faced responses leveraging all available technologies. The WBG encourage teachers to be empowered to use technologies to engage students in learning. Parents too should be involved in the initiative. But, this is just one step. We need more.

Universities should also encourage their people to learn more about technology. Coursera is a good example of an EdTech. It offers a variety of online courses, certifications in different subjects, making knowledge more affordable and accessible for students. Nowadays, Coursera is present in more than 29 countries and have more than 200 partners. And there are a lot of other platforms arising, like EdX. Because of the advantage of technology, the most famous Computer Science course is now available for free on the EdX platform. CSS0, the Harvard course that teaches the basics of Computer Science can open doors to technology. There should be more and more initiatives to prepare the workforce to enter this segment. And, of course, we hope for more and more people to get interested in the field, so they can help to integrate the interaction between man and the machine even more.

Companies should also make an effort to bring technology to their goals. There are some examples of companies that were left behind because of the neglect of the importance of technology. Blockbuster was once a huge company that rented movies. They could had bought Netflix, but they didn't think it was worth it. Created in 1985, it went bankrupt in 2010, the same year that Netflix – a streaming platform to watch series and movies, more adapted to the man-machine interaction – went public on Nasdaq.

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There are also some examples of good adaptations, as we can see with the Disney Company. They started 97 years ago as a Cartoon Studio. Nowadays, they consider themselves in the Mass Media and Entertainment industry. What was once a cartoon is now on television, in films, music, video games, amusement parks, broadcasting, radio, web portals and streaming. And we know they'll keep creating new ways to interact with us, other humans, through the advance of technology.

Nevertheless, governments should create mechanisms to encourage firms to use increasing amounts of technology. According to the WEF, only 21% of businesses use public funds to support their employees through reskilling and upskilling.

But we do have some good examples such as the initiative that the Health Information Technology for Economic and Clinical Health (HITECH) created in 2009. They set aside $27 billion for an incentive program that encourages hospitals and providers to adopt electronic health record systems (EHR). Moreover, 1,000 physicians committed to adopting an her and billions were spent training the physicians and get them engaged. The use of the EHR improved quality of care.

Research carried out by PwC regarding innovation in 2010 has demonstrated that European Commission channels incentivised a total budget of €50.5 billion between 2007 and 2013 – another good example of government helping through the technology. These grants and incentives were available to entities that invest in research & development, training & employment, sustainability and international cooperation.

In conclusion, we, as humans, have always been trying to find ways to survive better and technology has always been with us on this journey. The proximity between technology and man is inevitable. Organizations, individuals and institutions should be working together so that we can create a better way of living. There's no way back. ///

KEYS TAKEAWAYS

- Technology and Humans are interconnected.
- Technology is becoming each day more present.
- Education, institutions and government should be working to make this relation become even better so we can create a better way of living.

IT TAKES A COMMUNITY TO BUILD A COMMUNITY

INSIGHTS FROM ITALIAN BUSINESSES ALIGNING TO THE NEEDS OF THE COMMUNITY DURING THE PANDEMIC

> No company is an island.

How can companies leverage the power of community to advance the alignment of their business objectives with the wellbeing of humans and the planet? **Jacqueline Giorgia Bergamaschini, Trinity Business School** finalist in the 2021 CoBS CSR competition, with a focus on the pandemic and how Italian flagship brands responded.

ADAPT, COLLABORATE AND SURVIVE

The present situation has forced people to adapt their routines and habits. Similarly, companies around the world have been pushed to rethink their business strategies to deal with the global pandemic. In this context, the role of the community has constituted a game changer for businesses which understood how to leverage and take advantage of the social context. They have done this by contributing to the community and at the same time adapting their business models and objectives to face the economic crisis and survive.

NO COMPANY IS AN ISLAND

When John Donne wrote his famous "No Man is an Island", he introduced the idea that human beings need to feel and be part of a community in order to prosper.

In the same way, in order to be successful, businesses should care about the ecosystem in which they operate and engage

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with their stakeholders including customers, suppliers and local communities. Consequently, the way companies build relationships with the ecosystem is determinant for their success or failure: it is vital to understand and interpret changes in society in order to identify new ways to grow.

This issue has become even more fundamental following the COVID-19 outbreak: in this context, we have witnessed increased support from companies to their stakeholders all over the world. The pandemic inspired small and large businesses to support their communities while redefining their strategies to overcome the financial crisis: this is a double-faced initiative which at the same time provides support to the ecosystem and gives to companies a way to adapt their business models.

ROME WASN'T BUILT IN A DAY (AND NEITHER IS A COMMUNITY)

Italian businesses constitute an interesting example of how companies can drive meaningful change for both businesses and society. For a country rooted in culture, literature and art like Italy, this is the only way forward for financial growth that also benefits local communities. It must be said that, prior to the global pandemic outbreak, the bond with culture was already an integral part of Italian businesses' corporate identity: noteworthy examples are luxury fashion brands like Prada or Tod's which "made good by doing business" through a wide range of initiatives.

For example, Prada Group's approach to Corporate Social Responsibility can be spread along three lines of interest: people, culture and environment. In this regard, Prada Group launched a series of "Shaping a Future" events with the objective of debating the most relevant current changes occurring in society (pradagroup.com).

Tod's Group is committed towards the local and international community and towards the areas in which the Group operates with the goal of improving Italy's global reputation. In this sense, Tod's acts as an ambassador for Italian heritage and culture: for example, in 2011, the Group invested 25 million euros in the restoration of the Colosseum in Rome partnering with some political institutions including the Italian Ministry of Cultural Affairs (todsgroup.com).

The aim of the project was to spread the company's values: tradition, passion and creativity so that "Made in Italy" could be exposed on the most known Italian monument.

These are examples of businesses engaging with communities in "normal" times, but how can companies, in the present pandemic situation, leverage the power of community to align their business models with the needs of society?

ARMANI'S ARMY

While there is currently a lack of many resources and supplies , the most pressing need is for medical supplies as hospitals' resources become increasingly stretched as a result of the large number of COVID-19 hospitalisations.

The worldwide famous Italian brand Armani recognizes itself as being an important part of the region and the communities in which it operates its business: consequently, it has established partnerships with institutions, the cultural community and charitable organizations overtime, promoting programs – including long-term ones that are in line with its values (armani.group.com). As such, promoting social and economic growth is a part of a company's duty, not just to its employees, but also to the local communities.

With the COVID-19 outbreak, the lack of individual protection for healthcare personnel has been one of the greatest problems at national level. In this context, after having donated €2 million to Italian hospitals, in March 2020 the Armani Group announced that all of its Italian manufacturing plants had turned to producing single-use medical overalls, used for the individual safety of healthcare employees fighting against the virus.

"It is moving to see you committed to doing your job while enduring the struggles and enormous strain that the entire world has become aware of. And to see you cry. I believe this feeling is linked to the fact that I wished to join the medical profession when I was growing up and looking for a path of my own. All of the Giorgio Armani staff is sensitive to this reality and is sensitive to all of you: from the stretcher bearer to the nurse, from the general practitioners to the specialist consultants.
My warmest thoughts are with you all."
– Giorgio Armani
(Source: Armani Group website)

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This initiative was certainly driven by the willingness to help society, but it was, nevertheless, a convenient strategic move for the Group too. By converting production from traditional clothing to medical equipment, Armani was able to make use of raw textile materials already in stock and to save employees from a period of unemployment. In fact, the production of medical equipment was recognized as an essential activity and therefore the Group was able to circumvent the strict Italian Lockdown that started in March 2020.

This is, therefore, a perfect example of how aligning the business model to the needs of the community can be beneficial for businesses in order to survive during the pandemic financial crisis.

In this context, many other businesses in Italy welcomed the opportunity: for example, having to face closure imposed by the national lockdown, some restaurants decided to use already purchased stocks of food to prepare meals to be distributed in the hospitals partnering with the famous pasta brand Barilla. This was a smart way to avoid waste of resources that would have otherwise expired.

"Without solidarity, we cannot deem a company's mission as being complete. Since its origins, Barilla has combined the production and distribution of good food to the contribution to community's wellbeing."
– Luca Barilla (Vice CEO Barilla Group)

A WAR ECONOMY

In times of crisis, companies must find new ways to reactivate the economy and to support culture and communities. Because a crisis, as bad as it can be, could bring new opportunities. It is essential that companies work together with their stakeholders – only through a collective effort and commitment it is possible to restart and look at the future.

We are currently living a "war economy" meaning that companies' business models and production capacity must dramatically convert to meet the specific needs of the moment. A curious example is the world-famous Burberry trench coat which was initially created during the First World War to dress soldiers fighting in trenches and through the years it has become a "must have" in fashion.

Consequently, a crisis such as the present pandemic slows down businesses, but at the same time they can leverage the moment by realigning their objectives and production with the needs of the community. The motto is thus to be flexible and adapt rapidly to produce what the community asks for in times of crisis: this could at the same time constitute an opportunity to discover new insights and to grow beyond traditional activities. ///

KEYS TAKEAWAYS

- The pandemic pushed small and large businesses to support their communities while redefining their strategies to overcome the financial crisis and survive,
- It is vital for companies to understand and interpret changes in society in order to identify new growth opportunities,
- Even in a pre-pandemic situation, Italian businesses constituted an interesting example of how companies can drive meaningful change for both businesses and society. Examples: Prada and Tod's which "made good by doing business",
- In March 2020 The Armani Group announced that all of its Italian manufacturing plants have turned to producing single-use medical overalls, which will be used for the individual safety of healthcare employees fighting against the virus,
- We are currently living a "war economy" meaning that companies' business models and production capacity must dramatically convert to meet the specific needs of the moment,
- In times of crisis, companies must find new ways to reactivate the economy and to support culture and communities because a crisis, as bad as it can be, could bring new opportunities.

SHARED EMPLOYEE: AN INNOVATIVE EMPLOYMENT PRACTICE TO HELP COMPANIES COPE WITH THE PANDEMIC CHALLENGE

Caiyuan Gao, School of Management Fudan University, looks at employee sharing during the pandemic in China – an alternative way to avoid lay-offs during crisis.

> **When we look into the mechanism of it, we may find sharing employees to be a win-win solution.**

It may take you by surprise to learn that Macy's was planning to cut 3,900 jobs and close 125 stores. 33% of its shopping malls could close by 2021. The problem of how to deal with the tension between companies and their employees has long been under discussion. The 2020 pandemic certainly dragged the problem again into the spotlight. Massive layoffs happening around the globe were claimed to be a necessary act to save the company by some managers, yet did the pandemic really leave us with no option but ruthlessly firing one of the most important assets a company can have?

REALITY: IMBALANCE OF LABOR DEMAND AMONG INDUSTRIES

Many economists hold the belief that unemployment is related to economic growth. According to the Okun's law, for every 3 percent rise in the rate of economic growth above the economy's long-term potential growth rate, unemployment would decrease by 1 percent, and vice versa. As the COVID-19 crisis worsened, some employers began to see the contradiction between their disappointing cash flows and idling staff posing a threat to the survival of business. Thus many turned to executing layoffs as a way to cut expenditure.

However, the situation may be different in various industries. According to a report released by China Cuisine Association, during the epidemic in China 78% of catering companies lost almost 100% of their revenue, while 9% of companies lost more than 90% of their revenue. On the other hand, the global disposable face mask market size exceeded a value of USD

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74.90 billion in the first quarter of 2020 and is expected to grow at a compound annual growth rate (CAGR) of 53.0% from 2020 to 2027. The demand of labor surely defers between the catering business and the mask business. Nonetheless, for those who find themselves lucky in this "Black Swan" event, the need for more human resources to meet production demand is also troublesome. So, for either side under the influence of the pandemic, negative or positive, there are problems unresolved.

A MEMBER OF THE SHARING ECONOMY MAY SAVE THE DAY

Shared employees, as the term indicates, focuses on "share". The idea is to "share" the employees in a company whose business is relatively slack with another company who desperately needs more hands. In the first period of the COVID-19 outbreak, a Chinese supermarket chain called Hema first applied "shared employees" in practice to cope with a workforce shortage. Employees borrowed by Hema stayed in their under their original employment contracts with the lending company — Xibei — but worked for and were paid by Hema. When the contractual job was done, these employees returned to their former employer. Hema was soon followed by other superstores like Suning and JD, who found such a method surprisingly helpful.

In fact, lending or sharing employees in times of turbulence is not entirely new. Similar forms (such as flexible employment, gig economy, borrowed labor, labor dispatch, etc.) have long appeared around the world. Back in the 2000s, the Swiss family business "Victorinox", which uses the Swiss Army Knife as its iconic product, suffered the biggest crisis since its establishment due to the impact of the "September 11" incident in the United States in 2001. Victorinox then adopted a cross-border "rental" employee model to survive. The model laid a foundation of human resources for the company's re-emergence after the crisis.

WHY SHARED EMPLOYEES COULD BE THE SOLUTION

There are definitely good reasons why so many companies took to the sharing practice. And when we look into the mechanism of it, we may find sharing employees to be a win-win solution.

For the borrowing side, it will be much easier and faster to have a large number of workers in place to support operation. Hema quickly gathered a troop of more than 1,200 people to back it up in packing, sorting and delivering and so on, with shared employees from 21 restaurants across over 7 cities. Operational capacity was improved significantly in a short period of time. Additionally, the boost of business might be only temporary for borrowers, so sharing instead of hiring can enable the borrowers more mobility in structuring human resource and reduce long term cost since shared employees are also only temporary.

For the lending side, the return of lending is apparent. Xibei, who was the first to lend employees to Hema, is a restaurant chain with 379 stores in China's 58 cities. It was hit heavily by the corona virus outbreak and revealed to the media that it could not even last for more than 3 months based on its book cash flow. With the new practice of shared staff, however, Xibei was able to save money on salary expenditure in times of difficulty while retaining the labor relationship with shared staff for future business recovery.

The social benefit is also obvious. Sharing instead of firing means "people working in Xibei would not get fired because the company cares about its employees and is making every effort to save them," said Guolong Jia, founder of the firm. Thus, along with good reputation, employees' loyalty could be reinforced.

NOTHING IS PERFECT

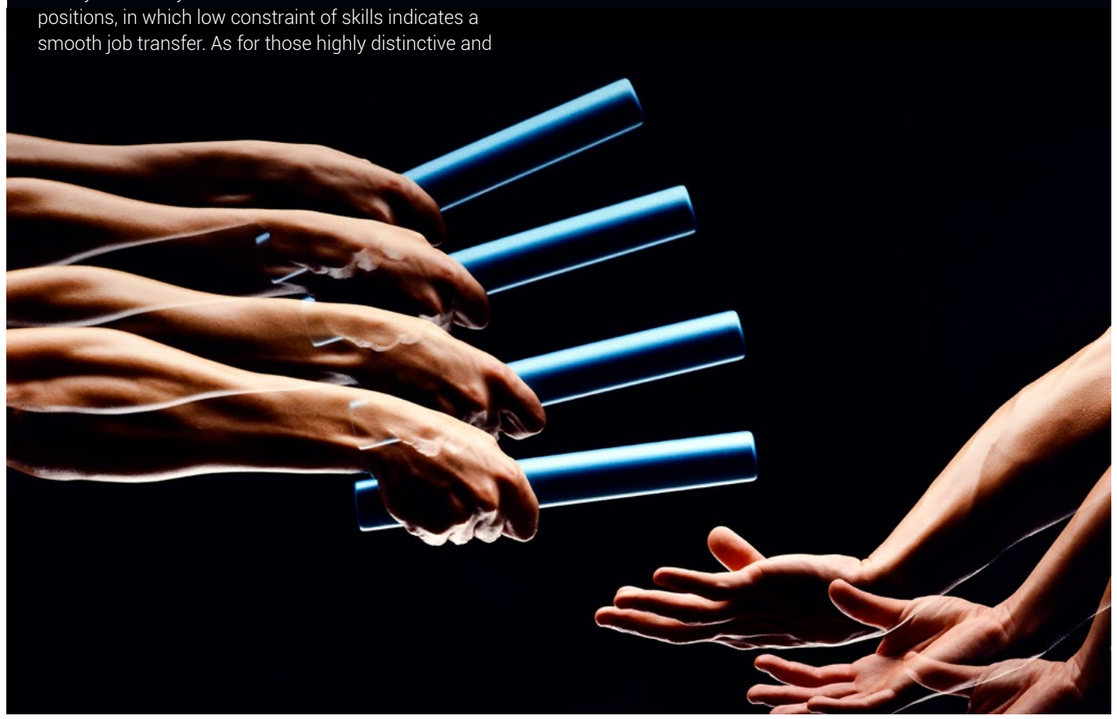
nce the publication of the first announcement by Hema, professionals from corporate management, human resource management and the legal department have been actively debating over the feasibility of such a lend-and-borrow model.

The first problem is the limitation of industry types. It can be observed that companies who embraced sharing employees are mainly from only five major industries: traditional catering, hotel and tourism, the Internet, advertising, and education, among which the traditional catering and hotel tourism industries participated more in lending while the retail, manufacturing, logistics and distribution industries and other related industries were more of the borrowers. Related shared employees are mainly secondary school-educated and in blue-collar positions, in which low constraint of skills indicates a smooth job transfer. As for those highly distinctive and differentiated companies, it may be difficult to find talents they need in other industries, while concerns about the leak of business secrets refrain them from sharing within industries.

Another heated issue is on the legislation level. Relevant laws and regulations are not yet in place. Current laws and regulations are obviously lagging behind the practice of shared employment by enterprises, resulting in a lack of clear legal basis for enterprise labor relations, the division of rights and responsibilities of the parties, the protection of labor rights, and the evaluation of job titles. As a relatively new form of employment, the shared employee model has natural characteristics of high mobility and instability, which lead to a process of gradual adaptation and recognition.

FAILURE IS PAINFUL, BUT IT IS WORSE NEVER TO HAVE TRIED

Surely, the shared employee model has its imperfections. But it is also a fact that during the COVID-19 epidemic it has brought opportunities and vitality to many companies and employees. The shared employee model inherited the key feature of sharing economy—the optimal allocation of resources. Therefore, in crisis like the pandemic, in which the mismatch of human resources is magnified, the shared employee model might shed new light on the problem and provide new perspective for managers in dealing with the contrast of employee maintenance and company survival during the pandemic crisis. After all, great changes always start with doubts. ///



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KEYS TAKEAWAYS

- There is imbalance of labor demand between industries because of different needs brought by the pandemic.
- Shared employee model was used by many companies to help bridge the gap of different labor needs between different companies.
- Shared employee model can be beneficial to the borrowers in high efficiency in gathering labor and to lenders in saving money and gaining good reputation for not firing employees.
- Shared employee model has industry limits and legal constraints but is still very helpful in dealing with the dilemma of whether to save the company or the employees during the pandemic crisis.

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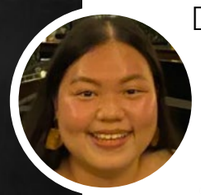
INTRODUCING ANOTHER PANDEMIC: THE WAVE OF DETERIORATING GENDER EQUALITY



Despite the amplification of the role of women in business and society during the COVID-19 pandemic, women have suffered from increases in domestic violence, employability bias and increased workloads. Does this mean a U-turn on the road to gender equality? **Yok Yun Angela Low, Trinity Business School,** explores.

The extent to which COVID-19 impacted our lives is probably one we could have never imagined. The virus is certainly a force to be reckoned with, posing a more dangerous threat to people over the age of 60, with health conditions, diabetes, and/or conditions that affect their immune systems (World Health Organization, 2020). It has been stated that COVID-19 has been the deadliest of all 21st-century viruses, and as of writing, the coronavirus has taken away more than 2.6 million lives globally, with almost 120.5 million confirmed cases (The Straits Times, 2020; Worldometer, 2021). On top of the high death rates and even greater rates of infection, billions of lives were affected in many other ways.

In almost a matter of days, people's lives changed drastically. The economy plunged, with an estimated global gross domestic product (GDP) drop of 4.5% due to the pandemic (Duffin, 2020). Stock markets have also seen drastic declines. The FTSE plummeted 14.3% in 2020, its worst performance since 2008, and the Dow Jones reported its greatest-ever single-day fall of almost 3,000 points on 16 March 2020 (Duffin, 2020; Jones, Palumbo and Brown, 2020). With the worsening economy comes the inevitable wave of retrenchments, and those that could still keep their jobs found themselves working from home, a situation rather unfamiliar to many.

> **The role of women in businesses and societies has actually been amplified due to the COVID-19 pandemic.**

However, what COVID-19 really showed and exacerbated were the clear disparities between groups of people (Centers for Disease Control and Prevention, 2020; Ku and Brantley, 2020; Menon, 2021). While many had to stay home to socially isolate, it is admittedly a lot more comfortable to stay locked at home in a big house than in a cramped space, where the rates of infection are potentially higher. While 42% of the US labour force had the opportunity to work from home, 33% are not working, due to the effects of COVID-19 on the worsening economy, and 26%, mostly essential workers, had to work on-site (Wong, 2020). People who cross borders daily for work find themselves pressured to choose between a stable income or valuable time with their families (Ku and Brantley, 2020). Such heightened disparities can also be observed between women and men, from all walks of life.

Before delving deeper into how the COVID-19 pandemic impacted the gender gap, it is important to first understand what gender equality (or lack thereof) looked like pre-pandemic.

THE STATE OF GENDER EQUALITY PRE-COVID

Historically, women have been seen as the 'Other'. Famous philosopher and political activist, Simone de Beauvoir, asserts that women are not considered to be autonomous because humanity is male, and men define women in relation to himself, and not in herself (De Beauvoir et al., 2015). Society views man as being the Subject and the Absolute, while woman is the Other. Therefore, a woman is the inessential in front of the essential, and is nothing other than what a man decides.

Despite recent progress, we still have not been able to reach satisfactory levels of gender equality. Women still earn less than men, even when taking into consideration the type of employment, qualifications, and experience (Elsesser, 2019). Women take up to three times more unpaid work than men do. Slightly less than six percent of women hold CEO positions in American companies, and there are as many as seven times as many male executive officers than female executive officers (Cahn, 2021). Globally, it is estimated that one in three women have experienced either physical and/or sexual intimate partner violence, or non-partner sexual violence in their lifetime, which further infringes their economic opportunities (World Health Organization, 2017).

The emergence of COVID-19 has only hindered the progress of gender equality and exponentially increased the burden women carry on their backs for their household and society.

COVID-19 AND THE INCREASE IN INTIMATE PARTNER VIOLENCE RATES

Globally, more than 30% of women experience intimate partner violence (IPV) and the economic costs of such violence ranges from one to four percent of the global GDP (Ravindran and Shah, 2020). This is because such violence has detrimental impacts on female labour market participation, earnings, mental health, child health, and household consumption. It has been reported that up to 60% of IPV survivors lose their jobs as a result of IPV, and 77% reported that their harm-doer has interfered with their employment (Ruíz et al., 2020). In the United States alone, the estimated costs of IPV in terms of medical care and the decline of productivity is estimated at almost US$6 billion each year (Ravindran and Shah, 2020).

However, the rates of violence against women around the world have increased due to the COVID-19 pandemic and its accompanying lockdowns (Ravindran and Shah, 2020). UN Women has referred to this as the "shadow pandemic". In India, there was a 131% increase in domestic violence reported in May 2020 in districts that saw the strictest lockdown measures relative to districts that had the least strict measures. In the US, there was a 10% to 27% increase in domestic violence reporting during thelockdown weeks in comparison to the previous weeks. Peru also saw an increase in domestic violencecall rates in states with more restrictive lockdown measures, while Mexico City saw an increase in IPV calls requesting psychological services.

Considering how much IPV has already impacted the global economy pre-COVID, it is without a doubtthat such costs have magnified significantly in relation to the steep increase in IPV cases during the pandemic and the accompanying lockdowns. Sharma and Borah (2020) reported that the increase in IPV cases towards women during the pandemic required governments to take action and arrange for safeguarding policies, thus demanding economic investments. Furthermore, the adverse effects of IPV on physical and mental health, meant that countries were losing a productive workforce that may otherwise contribute to the already faltering economy.

THE DILEMMA FACED AND SACRIFICES TAKEN

The role of women in businesses and societies has been amplified due to the COVID-19 pandemic. A large number of women are serving on the frontlines against the pandemic, making up approximately 70% of the healthcare workforce globally, exposing them to a greater risk of infection (OECD, 2020). Even though they are underrepresented among physicians, dentists, and pharmacists, women make up an overwhelming 85% of nurses and midwives globally. Women also make up over 90% of the long-term care (LTC) workforce. Although all health and social care workers are facing immense demands due to the pandemic, women care workers are likely to be disproportionately more impacted. This is because many of them will have to choose, or are required to, isolate to minimise the possibility of passing the infection to family members. Therefore, it is difficult for women in these industries to fulfil their professional roles and unpaid responsibilities at home.

Globally, women already carry out up to ten times more work than men do (OECD, 2020). However, with the travel restrictions, home quarantines, closures of schools and day-cares, and increased risks faced by elderly relatives, women are taking on additional burdens such as taking care of their children and elderly relatives; even when both women and their respective partners are confined at home. Although social norms could be a reason for this additional burden women will have to uphold, the existing structure of the workforce also contributes greatly to this (Lewis, 2020).

In such situations, people tend to look at things from a practical perspective (Lewis, 2020). Who is paid less? Who has the flexibility to take on these additional responsibilities? More often than not, it is women who are paid less and/or have more flexibility. In the UK, 40% of employed women work part-time, in comparison to only 13% of men. In heterosexual relationships, women are more likely to earn less, meaning that if obstacles come along, it will make more financial sense for women to give up their jobs rather than their higher-earning male partner.

Single parents face even harder circumstances (Lewis, 2020). How can they financially support their family while taking care of them too? In the UK, one in four families is headed by a single parent, with over 90% of them being headed by women. The closure of schools will, inevitably, make their lives more difficult.

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DISPARITIES FURTHER AMPLIFIED

On average, women across the OECD spend more than 4 hours on unpaid work per day; 2 hours more per day than men (OECD, 2020). Gender gaps in unpaid work are often larger in emerging economies.
Most of the women's unpaid work goes towards taking care of their children, with women spending over 35 minutes every day on childcare activities, more than double the amount of time men spend on childcare activities.

The COVID-19 pandemic has and will continue to amplify women's unpaid work burdens (OECD, 2020).
The widespread closure of educational facilities will not only increase the amount of time that parents must spend on supervising their children, but a large majority of this additional burden is likely to fall on women. Furthermore, any additional time spent at home due to the stay-home measures is likely to result in increased routine housework, which is often burdened by women.

HAS PROGRESS IN GENDER EQUALITY COME TO A COMPLETE HALT?

The COVID-19 pandemic, on a social level, has highlighted the importance of women's role in businesses and society. With women trying to balance the responsibilities of their professional and personal lives, partners living with women are being forced to come to terms with the fact that, indeed, their women counterparts are sacrificing more. The rise in IPV cases during the pandemic has not only resulted in a greater amount of associated costs in the economy, but also the increased awareness about its impact on mental health and productivity. It is not to say that all the progress being made to bridge the gender gap has been undone. Most women still have their legislative rights, access to approachable avenues to seek assistance, and can still attend school. The formal structures set in place to help expedite the progress of gender equality are still present. However, it seems that COVID-19 has revived, or perhaps evoked a deep-set, and often unconscious societal expectation and norm, that demand women, as the Other, to carry additional household burdens.

Therefore, it is important to challenge such ideologies, should we wish to see further progress on closing the gender gap. It is important to recognise the value women bring to their households, workplace, and society. It is important to start working towards seeing women and men as equals, rather than in relation to each other, as the Absolute and the Other. Only then can we stop another social pandemic like this from happening. ///

KEYS TAKEAWAYS

- Not only did the COVID-19 pandemic affect world health and economies, but it also increased social disparities.
- The economic costs of intimate partner violence accounted for between one to four percent of the global GDP. It is expected that this amount will increase significantly due to the heightened number of IPV cases during the pandemic and its accompanying lockdowns.
- As a result of the pandemic, women are being pressured to make sacrifices. Be it frontline workers consisting mostly of women isolating themselves to minimise the possibility of spreading the virus to their family members, or women giving up their jobs to take on additional household responsibilities.
- Women in general already spend more than double the amount of time doing unpaid work than men do, and the pandemic is only making this gap worse.
- While formal structures have been set in place to support the progress of gender equality, there is an urgent need to challenge societal norms and expectations of women in order to see greater results in closing the gender gap.

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TOP READ 2017

INTO THE LIVES OF WOMEN ENTREPRENEURS IN BRAZIL

Professor and Deputy-Dean **Tales Andreassi, FGV-EAESP,** with fellow researchers **Vânia Maria Jorge Nassif, University of Sao Paulo,** and **Maria José Tonelli,** FGV-EAESP, share results from their critical incident-based research* into women entrepreneurs. What impacts them behind their business veneer and how do they cope with it?

Related research: Nassif, V.M. J., Andreassi, T., & Tonelli, M. J. (2016). Critical incidents among women entrepreneurs: Personal and professional issues. *Revista de Administração* [RAUSP], 51(2), 212-224. doi: 10.5700/ rausp1235

42.2% of women-led start-ups in Brazil survive above the 42-month mark, compared to 33% in other countries.

LET'S GO CRITICAL

There have been many studies on women entrepreneurs throughout the world focusing on everything from their competencies, decisions to innovate and take risks to gender differences in business administration. This is good news. However, many studies have concentrated on the behaviour and characteristics of these women or else highlight the subordination of women in comparison with men – consequently missing out on the key dimension of the specific problems women entrepreneurs face and how they deal with them.

Prof. Tales Andreassi and his fellow researchers have come up with something different, orienting their research, much in the vein of Dr. Helene Ahl, towards making women the

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central element of analysis in their role of active agents in business entrepreneurship. This they do using the critical incident technique or CIT, a method first introduced by John Flanagan based on studies he conducted during World War II. Since then, the technique – which typically involves asking respondents to recount a critical experience – has been used in many fields of knowledge to identify significant events and examine how they are managed. In Prof. Andreassi's analysis, a critical situation is understood as a very serious occurrence experienced by the women entrepreneurs who were interviewed that could have led to the closure of their businesses. Many of these occurrences were rooted in the lives behind the role of entrepreneur, meaning that the research succeeds in extracting not only an understanding of the issues related to the management activities of women entrepreneurs, but also the lives, events and emotions behind the purely entrepreneurial mask that indeed tend to interconnect and shape women's business development.

THE BRAZILIAN CONTEXT

As far back as 2001, the OECD pointed to the need for a better understanding of how to promote entrepreneurship among women with a view to eliminating the specific obstacles they face when it comes to creating businesses. The organisation identifies three areas regarding the importance of women as owner-managers of small enterprises: the economic contribution and how they create employment, social relevance and work-family balance, and women's autonomy in the work environment.

In this context, Brazil is an interesting arena for studies, not least because the country has a high rate of entrepreneurs in relation to its population – 32.3% of 18 to 64 year-olds according to figures from the GEM (Global Entrepreneurship Monitor) – and despite a battery of specific administrative difficulties a would-be Brazilian entrepreneur faces. Indeed, among a list of 185 countries, the World Bank places Brazil 130th in terms of how easy it is to conduct business and it comes as no surprise then to learn that 25% of all companies close their doors within the first two years of their creation. What is surprising, however, is that although faced by the double shift of work (i.e. managing a business and managing a family) and unfavourable conditions for entrepreneurs in the country, the number of new entrepreneurs who are women reaches a hefty 52,2%. Furthermore, for businesses that manage to stay afloat above the 42-month mark, that figure remains at 42.2%, higher than the 33% of other countries included in the GEM report.

AND BRAZILIAN CHALLENGES

Studies on the reality of women entrepreneurs in Brazil show that the main challenges they face in a professional context are linked to acceptance, lack of affective and social support, financial difficulties, lack of female entrepreneur role models, lack of knowledge and dedication to achieving success, and finally work-family balance. These studies show that a series of challenges, difficulties, prejudice, lack of education and resources interfere more sharply in the development of businesses run by women. However, they also reveal that women entrepreneurs who have had the opportunity to develop skills and competencies, with or without formal training, have achieved their goals despite their barriers and limitations.
Together with his colleagues, Prof. Andreassi's research – part of an international project conducted simultaneously in a number of countries – covered 115 women entrepreneurs who were interviewed with a total of 126 critical incidents identified. Almost all the incidents focused on the business rather than the personal (4%). 86% of the women interviewed had business partners and 67% of them ran businesses in the services sector, generally employing from 4 to 15 employees. The critical incidents recorded showed two major themes:

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on the one hand, aspects resulting from family relationships or relationships with partners and friends in their business and, on the other, practical managerial aspects. Moreover, it was found that there was a link between the growth of the business, for instance in a period of expansion, and the type of incident that was brought to the forefront during the interview – missed deadlines for refurbishing or financing for changes, for example.

OVERCOMING THE ENTREPRENEURIAL OBSTACLE COURSE

The interviews highlighted that practical, daily management issues had a critical impact on businesses, notably in the finance, human resources, marketing and operations side but also on the Brazilian-specific context of legalizing the business and moving from the informal economy to fully-legal and tax-paying status. However, the affective and emotional factors cited by the interviewees also pointed towards an overlap with professional issues and showed that critical incidents of a personal nature experienced by Brazilian women entrepreneurs are more recurrent than with their international counterparts. Indeed, individual, family, group and social factors influence every phase of the entrepreneurship process.

The greatest difficulties encountered by Brazilian women entrepreneurs were finance, people management and the business environment, as well as issues related to clients, uncertainty and the transition from the informal to the formal market. Many of them had experienced unpleasant situations in their business partnerships – suppliers, employees, partners, etc. – stating that it was difficult to deal with people, even in small groups: either they acted impetuously or recoiled from conflict – something that led to awareness that there was a need to find balance in this area they identified as their major obstacle. Many of the descriptions of critical incidents indeed showed that these relationships involved high intensity emotions that led to reactions that, in turn, influenced the reorganization of businesses.

So how did they cope with these challenges and setbacks? Strategies included, despite the intensity of emotions, in keeping an emotional balance in the face of difficulties and seeking rational and practical solutions to keep the business afloat. Top-heavy administrative obligations, bureaucracy and unreasonable requirements for small businesses were met with women entrepreneurs seeking more training in order to open up perspectives and widen their network.

There were many situations reported by the women entrepreneurs in which strong emotions involving family members and business partners affected the development of their businesses. And although coping strategies were common enough by entrepreneurial standards, regardless of gender (overcoming fear and anger, starting over from scratch, going back to school to gain the necessary skills for the development of the business, attending business fairs and hard work), there was a clear expression for the need to learn how to separate their personal lives from their professional lives.

The critical incidents experienced and reported by the women entrepreneurs in the Brazilian context affect both their personal and professional lives and, in both cases, emotions are always highly intense. However, one characteristic that stood out in their reports of critical incidents is their persistence never to give up and to learn how to deal with different unexpected situations in their daily lives. From the results of their research, Prof. Andreassi and his colleagues claim that women entrepreneurs are objective, clear and persistent, and have will power. They are also creative when it comes to coping with situations, as they create support strategies for handling their double functions of family and work. In the face of personal and professional difficulties or both, entrepreneurial characteristics were identified that differed from non-entrepreneurial characteristics, showing women's persistence, courage and determination to overcome obstacles and, above all, ensure the survival of their businesses. Behind the lives of Brazilian women entrepreneurs are emotions, doubt, anger, setbacks and sadness – but there is also that fighting spirit specific to those who dare to enterprise and no doubt laughter that goes with it, sometimes in adversity and especially in those heady moments of success. ///

KEYS TAKEAWAYS

- The OECD identifies three areas regarding the importance of women as owner-managers of small enterprises: the economic contribution and how they create employment, social relevance and work-family balance, and women's autonomy in the work environment.
- Brazil is an interesting arena for studies, not least because the country has a high rate of entrepreneurs in relation to its population – 32.3% of 18 to 64 year-olds.
- Although faced by the double shift of work (i.e. managing a business and managing a family) and unfavourable conditions for entrepreneurs in the country, the number of new entrepreneurs in Brazil who are women reaches a hefty 52,2%.
- 42.2% of women-led start-ups in Brazil survive above the 42-month mark, compared to 33% in other countries (GEM report).
- Main challenges faced by women entrepreneurs are: lack of acceptance, lack of affective and social support, financial difficulties, lack of female entrepreneur role models, lack of knowledge and dedication to achieving success, and finally work-family balance.
- But women entrepreneurs who have had the opportunity to develop skills and competencies, with or without formal training, have achieved their goals despite their barriers and limitations.
- Research covering 115 women entrepreneurs identified 126 critical incidents, showing two major themes: Aspects resulting from family relationships or relationships with partners and friends in their business and practical managerial aspects.
- There is a link between the growth rate of the business, for instance in a period of expansion, and the type of incident that was brought to the forefront during the interview – missed deadlines for refurbishing or financing for changes, for example.
- Research shows that women entrepreneurs are objective, clear and persistent, and have will power. They are also creative when it comes to coping with situations, as they create support strategies for handling their double functions of family and work.

FASHION – A FEMINIST ISSUE?

Online impulse buying during lockdown has become increasingly complemented by moments of self-reflection, says **Syreel Mishra, Trinity Business School.** What are the dimensions to challenge to bring fashion brands round to achieving sustainability, gender equality and employee well-being?

"Who made my clothes? How were they made?" – these questions have been buzzing around amongst conscious consumers post-pandemic. With nowhere to go and to be, people in lockdown have engaged in impulse buying which has accelerated online shopping in emerging economies by 10 per cent, as reported by UNCTAD in its 2020 report. However, these excessive decisions have become increasingly complemented by moments of self-reflection. A 2020 survey by McKinsey & Company, showcases how Millennials and Gen-Z are more likely to buy second-hand fashion items as they are more aware of their impact on society and the planet – such as workers' rights in developing countries and the negative environmental consequences of fast fashion. Currently, the business landscape is at a pivotal point as it evolves to being more inclusive of community concerns. Generally, businesses are becoming aware, now more than ever, they must provide solutions that not only benefit the consumers but also benefit the planet.

According to The Fashion Revolution Foundation, women account for an average 80 percent of the factory workforce for fast fashion brands. Since the pandemic, brands have closed factories or cancelled orders without any payments which has created a domino effect. Some major factories are

> **The fashion industry has a man-made problem, but with a feminist solution.**

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located in the developing world which provides the benefit to brands as they get access to cheap labor and deficient regulations on human rights and environmental law. The following question arises: What has been the role of women in the shift towards Slow Fashion?

WOMEN DOMINATED, YET EXPLOITED?

Fast fashion is all about cutting corners and gaining greater market share and rate of production. However, behind the boutique-like layout of their stores, the story looks different. The cheap price tags in fast fashion stores come at a cost of poor women's rights in factories. While in Bangladesh factory workers make USD 35 per month, in Ethiopia they make USD 26 per month, where the minimum wage as announced by their government is USD 95 per month and USD 110 per month, respectively, as per research by Fair Trade Certified.

With such low living wages, women in these developing countries are not getting the opportunity to become financially independent. However, with COVID, many factories have been shut down without any job security for the predominantly female garment workers. According to the Clean Clothes Campaign, due to gender discrimination being prominent in a majority of the developing world, where garment factories are located, female garment workers are more likely to experience sexual violence and abuse, at home and at work. Yet, these workers, the backbone of the fast fashion supply chain, of which approximately 80 percent are women, are not provided any security, financially or professionally.
While women account for the majority of the workforce in fast fashion, women do not find themselves in executive level positions in the fashion industry. A 2019 PwC report points out that only 12.5 percent of Chief Executives in apparel brands and only 26 percent of their board members are women. This has led to post-pandemic changes such as Nike's announcement, on March 10, to commit to 45 percent of women in leadership roles by 2025. In order for these companies to continue garnering support with their predominantly female clientele, they must take proactive actions to check their unconscious bias and balance their leadership board, especially in this era of social media activism.

POSITIVE ACTIONS FOR WOMEN

We know that fashion brands need to take a closer look at their supply chains and proactively start addressing the social challenges its connected to. With brands contracting and sub-contracting their suppliers, they start losing control of ethics in their global supply chain. It is imperative that fashion brands strengthen due diligence of various elements of their supply chain. The garment manufacturer Guess, Wrangler and Lee, Laj Exports, based in India, is taking social challenges faced by women seriously, as announced by the UN Foundation in 2020. Of all factory workers, around 70 percent of Laj Exports' employees are women. And even though women have a hold on majority of the jobs in the Indian apparel sector, they are also the gender experiencing the brunt of the gender inequity prevalent in the country. In addition to poor healthcare facilities, they also experience gender-based violence, similar to their peers in other developing countries.
So, how is Laj Exports addressing these concerns, you ask? In 2018, they partnered with an NGO called Swasti Health Catalyst to create an initiative, run by women employees themselves. This program is action-oriented as a clinic has been established which provides sanitary napkins, counseling for mental-health and provides screenings for cervical cancer. This initiative has drastically increased productivity which should be the aim for brands with global supply chains, aiming to align themselves with conscious consumers, especially post-COVID.

The UN Foundation's 'Private Sector Action on Women's Health and Empowerment' Initiative, established in collaboration with the Bill & Melinda Gates Foundation, and others, works closely with companies with global supply chains to help them empower their female workers by supporting their health and well-being whilst gaining business returns. UN Foundation highlighted that since the pandemic, Arvind Ltd, a textile provider working with GAP and Calvin Klein have joined the UN Foundation initiative. A report published by them highlights how, despite the tumultuous effects of the pandemic on the global supply chains, companies in the apparel sector such as Inditex, Ethical Apparel Africa in West Africa, Hela Clothing, MAS Holdings in Sri Lanka, Nordstorm and Columbia Sportswear, have been successful in working towards their commitments. These initiatives by the UN Foundation and the likes of Laj Exports highlight that the apparel sector is taking note of the Sustainable Development Goals (SDGs), especially SDG 3 – promoting health and well-being – and SDG 5 – achieving gender equality and empowering women.

So, what about the consumers in the fashion world? We have the 'Fashion Makes Change' (FMC) project, launched by the Rockefeller Philanthropy Advisors on March 4, 2021, seeking to build resilient communities within global supply chains across the fashion industry. This project already has support of high-brand fashion houses namely, Jimmy Choo, Chloé, Abercrombie & Fitch, Ralph Lauren and Eileen Fischer, just to name a few. FMC has partnered with Shopify to aid consumers and fashion brands to make climate and socially conscious decisions. However, it is imperative that this noble activity of off-setting and donating does not present itself as a "license" to exploit and undermine women workers in the supply chain. Projects such as these should be aligned with projects similar to UN Foundation's 'Private Sector Action on Women's Health and Empowerment' Initiative.

WOMEN – THE MOST AFFECTED BY CLIMATE CHANGE

A 2020 report by Thred Up notes that 'thrifty behavior' is likely to be a prominent phenomenon post-quarantine due to changes in household incomes as 4 in 5 citizens are open to buying second-hand clothes. It also highlights that recommerce is expected to double compared to fast fashion, where it is projected to be at USD 80 billion and fast fashion at only USD 43 billion by 2029. Those driving change towards recommerce are women. While in 2018, 56 million women bought second-hand products, that demand increased to 62 million in 2019. Luxury brands are noting this trend and brands such as Hermès, Tricker's and Brunello Cucinelli are offering in-house repair services so that their items get extended life. Additionally, Farfetch has partnered with The Restory to create 'Farfetch Fix' which offers repair and refurbishment services for luxury items.

This move towards recommerce and slow fashion highlights the increased importance of the Paris Agreement compared to Paris Fashion Week. Especially with the UN Fashion Charter for Climate Action of 2018, where various brands have signed and expressed their commitment towards moving towards a net-zero industry, is a move in the right direction.

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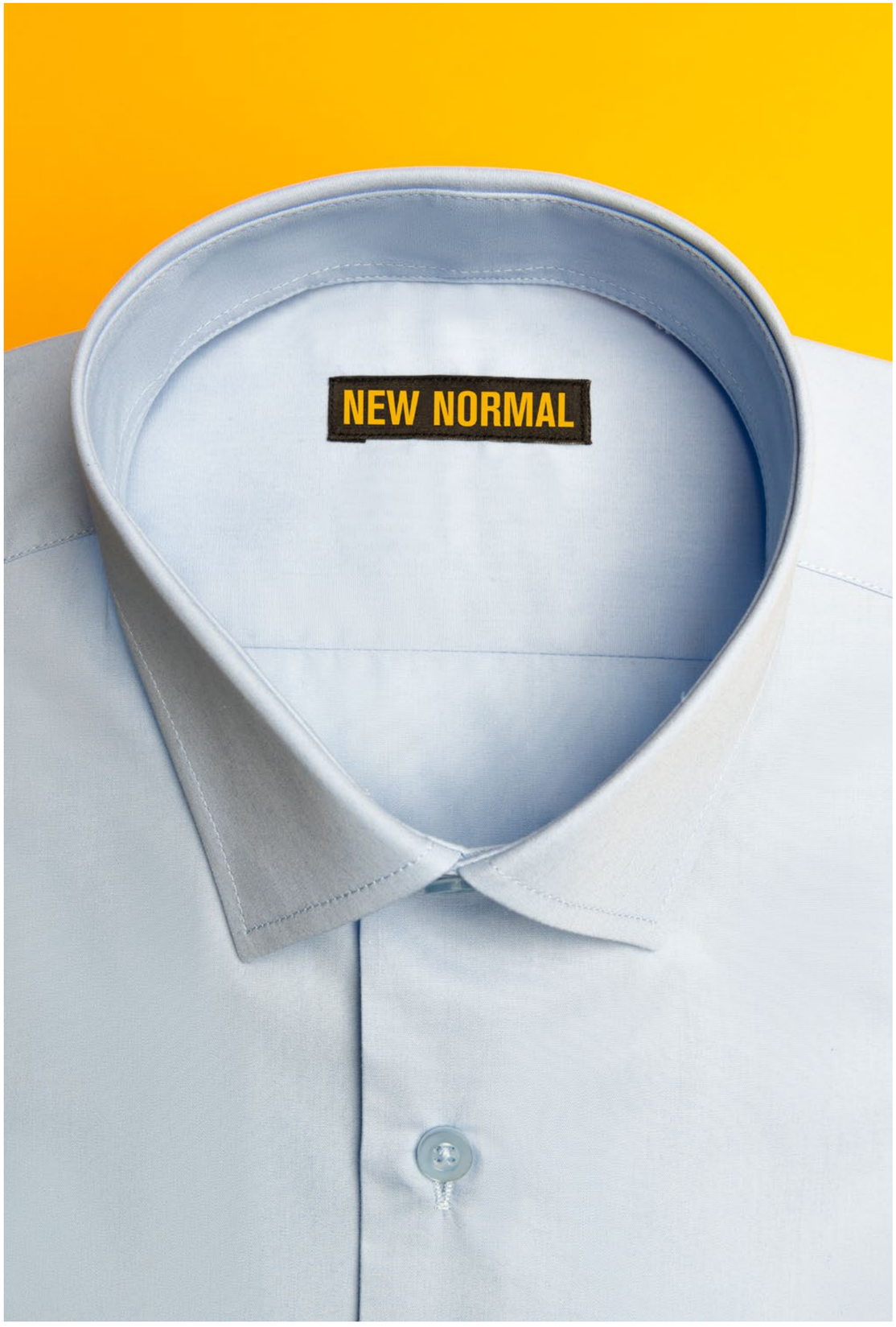

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You might be wondering, how the fashion industry is committing to climate action pertinent to the female agenda? Research by Global Citizen shows that climate change deepens gender equality as women are the most affected. A World Economic Forum report also shows that the fashion industry is the second largest consumer of water resources, responsible for 20 percent of all industrial water pollution and is responsible for around 10 percent of the planet's carbon emissions. Furthermore, women from low-income families in rural communities of developing countries are also known to travel on foot for many miles every day for water and experience problems with sanitation and hygiene. Therefore, with the launch of the UN Fashion Charter, we can hope to see more accountability and supply chain transparency from the fashion industry.

BODY POSITIVITY & INCLUSIVENESS

According to a 2020 survey by McKinsey & Company, consumers want businesses to be purpose-driven around climate change, diversity and inclusion. It is not enough for fashion brands to deliver trendy and fashionable apparel, but they also need to start thinking about their social impact. Moving forward, the corporate responsibility program of fashion brands will have to have an element of inclusivity as well. As sustainable plus-size fashion is currently tricky to find, fashion leaders need to start filling in that gap.

It is essential that fashion brands do not just aim for token acknowledgements of racial diversity and body shape, but that they genuinely and proudly align their brand to these social issues as consumers can very easily differentiate brands that are genuine to those who just do it for show. Fashion brands need to start hiring diversity and inclusion officers to ensure that they fairly and responsibly embed social impact into their business. A striking example of a brand making strides in the representative and inclusive fashion world is Savage x Fenty, a lingerie line by Rihanna, marking itself as the strongest competitor for Victoria's Secret. Not only does the Savage x Fenty line showcase racial diversity, but it also showcases models of various body shapes, highlighting body positivity and representation in the fashion world, something that huge brands like Victoria's Secret has failed to do over decades in the industry. If fashion houses do not evolve with the changing social awareness and rise of conscious consumers, they too will fall behind like Victoria's Secret. A powerful example of a brand evolving with changing times is Tommy Hilfiger. With a line created in collaboration with Zendaya, whereby all clothes were showcased using black models of various body shapes, highlights how some fashion leaders are already starting to think of the power of showcasing female body diversity and racial diversity in their business.

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TO WRAP UP!

The fashion industry has a man-made problem, but with a feminist solution. Yes, sustainable fashion can be expensive due to the high cost of ethical labor and ethically sourced materials, meaning that it can only be accessed by the privileged. However, as the pandemic has prompted consumers to reevaluate their relationship with fashion, due to TikTok videos on upcycling and luxury repairs, around 65 percent of consumers, predominantly women, are willing to invest in long life, high quality items which would then go into the second-hand market, as noted by a 2020 McKinsey & Company report titled *The State of Fashion 2020*. The fashion industry needs to start focusing on aligning women's rights into their strategy of managing their global supply chains. Fashion brands have an opportunity now to address the potential rise of post-pandemic 'revenge shopping' in US and Europe by ensuring that their supply chains operate on a female-centric strategy. ///

KEYS TAKEAWAYS

- In spite of women dominating the fashion industry, they are under-represented at the executive level and unjustly treated across the global supply chain.
- The fashion industry has made commitments towards climate action, likely to greatly benefit women, as they are the hardest hit by climate change.
- There is an urgent need for more racial diversity, representation and female body positivity in fashion.
- Gen-Z and Millennial women are conscious consumers seeking to make ethical purchasing choices.
- The move towards slow fashion and recommerce has been largely fueled by female consumers.

TOP READ 2020

THE NEXT EQUALITY BATTLE FOR BUSINESS LEADERS

Kim Hoque, Professor of Human Resource Management at **Warwick Business School,** takes a look at how the disability employment gap in the UK has been left to widen and contends that pressure is building for companies to do something about it.

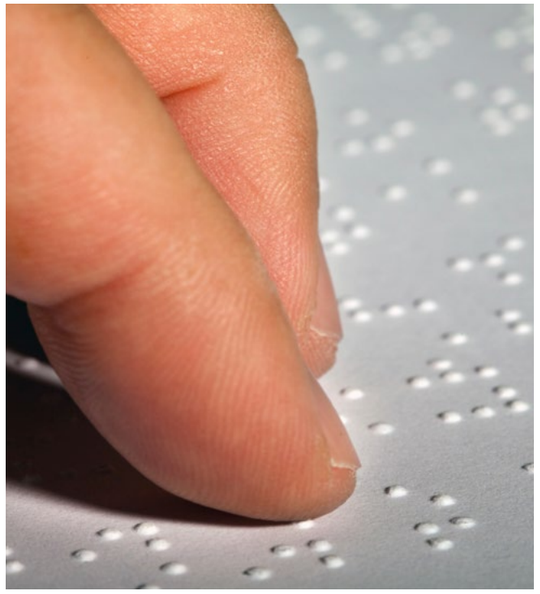
With kind acknowledgements to Core Insights at Warwick Business School.

> **The extent of disability disadvantage is not just a matter of concern for working-age disabled people, but also for employers.**

THE DISABILITY DISADVANTAGE

Disabled people face a significant and enduring disadvantage in the labour market. They are over-represented in low-skilled and low-status jobs, are more likely to work in jobs for which they are overqualified, and have poorer access to career progression and training opportunities. They also report lower work-related wellbeing and lower job satisfaction than their non-disabled counterparts.
They also suffer a 15.5 per cent pay gap, which means that, on average, disabled people are paid about £3,000 less per year, based on a 35-hour working week. The Trades Union Congress has recently sought to establish a 'Disability Pay Gap Day'. In 2019, this fell on November 4, this being the day of the year on which disabled people effectively stopped getting paid.

Equally worrying, if not more so, is the size of the disability employment gap. This has remained stubbornly high in the UK, and stands at around 29 percentage points, with only 53 per cent of working-age disabled employees being in work



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in comparison with about 82 per cent of the non-disabled working-age population. This does not compare well with other EU countries. Across the EU as a whole, the disability employment gap is around 20 per cent. Finland, France, Latvia and Sweden have gaps of around 10 per cent, while in Luxembourg it is less than three per cent.

The extent of disability disadvantage is, however, not just a matter of concern for the large numbers of working-age disabled people themselves (around a fifth of the working-age population is living with a long-term health condition or disability), but also for employers.

WHY EMPLOYERS SHOULD WORRY

This is for a number of reasons. The first is a straightforward moral argument. Disability equality is a social justice issue; hence it is something that all progressive, socially responsible employers should seek to promote. This relates not only to job seekers, but also to the organisation's existing workforce, given that most disabilities develop in adulthood once individuals are already in employment. Employers have a duty of care towards their employees as they age, enabling those who develop disabilities to stay in work. This requires significant investment in occupational health services to ensure the requisite adjustments are made and to facilitate reintegration after the onset of long-term health problems or permanent disability.

A second reason relates to the shifting focus of UK Government policy. Until recently, this has focused largely on supply-side labour market activation aimed at getting disabled people off benefits and into job-seeking activity (via Work Capability Assessments, for example). However, this approach has proved limited, as the persistently high disability employment gap demonstrates. As such, Government attention is now turning to the role of employers in helping boost employment opportunities for disabled people. One example of this is the introduction in November 2018 of the voluntary disability reporting framework. This calls on employers to report the percentage of individuals within their organisation who are disabled or have a long-term physical or mental health condition, and provide a narrative to outline their activities in the recruitment and retention of disabled people.

The Government believes this will help employers to workforce, better monitor internal progress in building a more inclusive environment, and enable them to access a wider pool of talent and skills, with consequent gains for performance and productivity. While it is currently up to employers to decide whether they wish to heed this call, it is certainly in their interests to do so.

THE IMPORTANCE AND CHALLENGES IN DISABILITY REPORTING

The clamours for disability employment reporting to become mandatory (as has happened for gender pay gap reporting) will inevitably increase should significant numbers of employers fail to engage on a voluntary basis. Disability employment reporting is, however, far from straightforward, and remarkably few employers collect accurate data on the number of disabled people they employ.

Where they do collect data on employees' disability status, this typically happens when they apply for jobs. However, this does not provide a reliable estimate of their total number of disabled employees, as it does not account for fluctuating conditions or for the emergence of disability once people are in employment. Also, disabled people are often unwilling to disclose their status given they fear that doing so will lead to discrimination. While better data can be collected via periodic anonymous staff surveys, even here assurances need to be given that the data will be treated entirely anonymously, and the purpose of the data collection exercise needs to be made clear in order to allay fears surrounding disclosure. Nevertheless, while disability employment reporting may be difficult, it is far from impossible. The civil service already tracks the number of disabled employees at different hierarchical levels, and the National Health Service (NHS) has recently introduced its Workforce Disability Equality Standard, which requires all NHS Trusts to track specified metrics on the employment of disabled people. This shows it can be done. Hence the difficulties involved are not an excuse for inaction.

GOVERNMENT AND COMPANIES

Also indicating the Government's increased focus on the role of employers are its greater efforts to encourage sign-up to its Disability Confident campaign. Disability Confident was launched in 2016 as the successor to the Two Ticks 'Positive About Disabled People' scheme. It has three levels: 'committed', 'employer' and 'leader'. Employers signing up to the campaign are expected to make commitments regarding how they recruit, support and retain disabled people, with the commitments increasing at higher levels. At level three ('leader'), for example, employers are expected to encourage and mentor firms in their supply chain to become Disability Confident. However, the Government has become increasingly aware, given the process-orientated nature of the scheme, that it is possible for employers, even at level three, to secure accreditation without employing a single disabled person.

Indeed, my own research with Nick Bacon, of The Business School (formerly Cass), and David Allen, of Warwick Business School, suggests that neither disability employment rates nor disabled people's experiences of work are likely to be better in organisations that sign up than in those that do not, indicating that Disability Confident is largely toothless in encouraging employers to raise their game.

Reflecting this, it is increasingly anticipated that changes to Disability Confident are on the horizon that will shift the focus from process to outcomes. Indeed, in November 2019, the Government announced a requirement for Disability Confident level three employers to report publicly on their disability employment. This is a positive step. However, only 263 of the 15,124 Disability Confident firms are at level three. As such, it is possible this requirement will be extended in future to all Disability Confident employers, and also for employers to develop action plans (as they are encouraged to do where gender pay gap reporting is concerned) that lay out how they intend to increase their percentage of disabled employees.

A further indication of the Government's focus on the role of employers relates to changes to the Public Services (Social Value) Act. David Lidington, as Minister for the Cabinet Office, announced that all Government departments must take social value into account within procurement decisions. This has major implications, not least given total Government procurement expenditure was £284 billion in 2017/18. While the scheme's details are yet to be unveiled, it is likely that one of the ways companies will be able to demonstrate social value is via their positive treatment of disabled job seekers and employees. As such, the ability of employers to win Government contracts may, in future, be dependent on the manner in which they treat disabled people.

There are, therefore, clear signs of an increased Government focus on initiatives that promote employers' role in addressing disability disadvantage, and it is in employers' own self-interest to engage with these initiatives. This is not only because it may determine their success in winning Government contracts, but because it may also enable them to influence initiatives before they are implemented.

BREXIT AND A HIDDEN GIFT

On their own, these are important reasons for employers to increase their focus on the employment of disabled people, but they are not the only reasons. Employers' bodies, including the Confederation of British Industry, the Federation of Small Businesses and the Institute of Directors, have unanimously expressed alarm that the Government's post-Brexit immigration plans and the curtailment of the free movement of people will exacerbate labour supply problems and skills shortages. However, one way in which these problems might be addressed is if employers think creatively about how to make their workplaces more accommodating to disabled people, thus enabling them to draw on the large pool of disabled people who are willing to work but are currently not in employment.

This is no doubt one reason why the Government is taking the disability employment agenda more seriously. It is increasingly aware that a failure to solve labour supply problems in the post-Brexit era will have severe economic consequences. However, employers often argue that making the necessary adjustments will be dauntingly expensive and they lack the necessary expertise. This may in part be due to a lack of awareness of the available Government assistance. The Centre for Social Justice's research suggests only 25 per cent of employers have even heard of the Government's Access to Work scheme, which offers advice and financial help to employers.

In addition, many of the adjustments disabled people often need are, in reality, relatively low cost or cost-neutral. These include time off for medical appointments, greater flexibility in working patterns, opportunities to work remotely, and flexibility regarding the start and end time to the working day and in the design of jobs. These should, of course, not be viewed as disability-specific practices, but instead as progressive employment practices that employers should seek to apply to their whole workforce.

By doing so, they would likely gain not only from having fewer unfilled vacancies and happier disabled employees (as studies from the US demonstrate), but also from happier non-disabled employees, thus leading to greater employee retention of both disabled and non-disabled employees, and a more motivated and productive workforce.

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However, while the implementation of such practices may sound like a positive idea in addressing disability disadvantage, it is debatable whether they will gain much traction in the absence of leadership at the very top of the organisation. There is now considerable research showing that only when equality is led from, and championed by, the boardroom does it turn into genuine action across the organisation. It is therefore incumbent on business leaders to develop a climate in which disabled people are viewed as an asset, and their contribution to organisational effectiveness is genuinely valued. As research by Susanne Bruyére and her Cornell University colleagues shows, this involves making the employment of disabled people the responsibility of a senior board member (thus establishing it as a clear priority), placing disabled people in leadership positions, and incorporating disability goals into middle managers' performance plans. This is clearly the right thing to do to improve the working lives of disabled people. However, by developing a climate in which disabled people are able to thrive, businesses will also gain from greater employee retention, smaller skills gaps, a more motivated workforce and ultimately a more effective and profitable organisation. ///

SOURCES: *Connolly, P., Bacon, N., Wass, V., Hoque, K. and Jones, M., 2016. Ahead of the arc – a contribution to halving the disability employment gap. [pdf] The All Party Parliamentary Group for Disability. Available at: <https:// www.disabilityatwork.co.uk/wp-content/uploads/2016/11/All-Party-Parliamentary-Group-on-Disability-Ahead-of-the-Arc-Report.pdf>. Hoque, K., Bacon, N., Wass, V. and Jones, M., 2018. Are high-performance work practices (HPWPs) enabling or disabling? Exploring the relationship between selected HPWPs and work-related disability disadvantage. Human Resource Management, 57(2), pp. 499–513.*

KEYS TAKEAWAYS

- Disabled people are over-represented in low-skilled and low-status jobs, are more likely to work in jobs for which they are overqualified, and have poorer access to career progression and training opportunities. They also suffer a 15.5 per cent pay gap.
- The size of the disability employment gap is high in the UK: 29% points. Only 53% of UK working-age disabled employees are in work, compared to 82% of non-disabled. The EU rate is 20% and Finland, France, Latvia and Sweden have gaps of 10%.
- Disability equality is important for employers as part of their social responsibility. Employers have a duty of care towards their employees as they age, enabling those who develop disabilities to stay in work. But this requires significant investment in occupational health.
- UK Government policy focusing on supply-side labour market activation aimed at getting disabled people off benefits and into job-seeking activity has proved limited.
- UK Government attention is now turning to the role of employers in helping boost employment opportunities for disabled people. One example being the voluntary disability reporting framework.
- The Government believes this will help employers to workforce, better monitor internal progress in building a more inclusive environment, and enable them to access a wider pool of talent and skills, with consequent gains for performance and productivity.
- Disability employment reporting is, however, far from straightforward, and remarkably few employers collect accurate data on the number of disabled people they employ.
- A further Government focus on the role of employers relates to changes to the Public Services (Social Value) Act, where government departments must take social value into account within procurement decisions.
- As such, the ability of employers to win Government contracts may, in future, be dependent on the manner in which they treat disabled people.
- Brexit is an opportunity for the disabled: The Government is increasingly aware that a failure to solve labour supply problems in the post-Brexit era will have severe economic consequences and the large pool of disabled people who are willing to work but are currently not in employment will help to solve this.
- Many of the adjustments disabled people often need are, in reality, relatively low cost or cost-neutral (ex: time off for medical appointments, greater flexibility in working time and patterns, opportunities to work remotely).
- But research shows that only when equality is led from, and championed by, the boardroom does it turn into genuine action across the organisation.
- It is therefore incumbent on business leaders to develop a climate in which disabled people are viewed as an asset, and their contribution to organisational effectiveness is genuinely valued.
- This involves making the employment of disabled people the responsibility of a senior board member, placing disabled people in leadership positions, and incorporating disability goals into middle managers' performance plans.
- By developing a climate in which disabled people are able to thrive, businesses will also gain from greater employee retention, smaller skills gaps, a more motivated workforce and ultimately a more effective and profitable organisation.

READER'S NOTES

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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 everyweek. Your writing style is witty, keep up the good work!
Anon

It's a pity you don't have a donate button! I'd most certainly donate to this fantastic blog! I suppose for now I'll settle for bookmarking and adding your RSS feed to my Google account. I look forward to new updates and will talk about this blog with my Facebook group. Chat soon!
Alena Vayon

Thanks for a marvelous posting! I really enjoyed reading it, you happen to be a great author. I will remember to bookmark your blog and definitely will come back later on. I want to encourage you to continue your great work, have a nice morning!
Lanny Battaglino

I blog often and I genuinely thank you for your information. This article has really peaked my interest. I'm going to take a note of your website and keep checking for new information about once per week. I opted in for your Feed as well.
Baten

I absolutely love your blog and find a lot of your posts 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.

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

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