OUT OF THE TIN CAN

N°21

Global Voice

MAGAZINE

An alliance with *a purpose*

THE COUNCIL ON BUSINESS & SOCIETY

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

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- 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.

COUNCIL COMMUNICATION TEAM
For further information and enquiries, please contact:

ESSEC BUSINESS SCHOOL (FRANCE)
Mr. Tom Gamble
tom.gamble@essec.edu
+33 134 439 656

FGV-EAESP (BRAZIL)
Prof. and Deputy-Dean Tales Andreassi
tales.andreassi@fgv.br
+55 113 799 7821

SCHOOL OF MANAGEMENT, FUDAN UNIVERSITY (CHINA)
Mrs. Elsa Huang
hzhuang@fudan.edu.cn
+86 212 501 1408

IE BUSINESS SCHOOL (SPAIN)
Ms. Kerry Parke
kerry.parke@ie.edu
+34 915 689 600

WARWICK BUSINESS SCHOOL (UNITED KINGDOM)
Mr. Warren Manger
warren.manger@wbs.ac.uk
+44 2476 572 512

KEIO BUSINESS SCHOOL (JAPAN)
Ms. Miyoko Kashima
kashima@kbs.keio.ac.jp
+81 455 642 441

TRINITY COLLEGE DUBLIN BUSINESS SCHOOL (IRELAND)
Ms. Sandra Rafter
PR and Communications Officer
srafter@tcd.ie
+ 353 870558084

THE DEANS OF THE COUNCIL'S MEMBER SCHOOLS

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 ANDREW BURKE,
TRINITY COLLEGE DUBLIN BUSINESS SCHOOL, IRELAND

"WE ARE THE BUSINESS SCHOOL AT THE HEART OF A WORLD-RENOWNED RESEARCH-LED UNIVERSITY LOCATED AT THE CENTRE OF A EUROPEAN CAPITAL CITY AND 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."

DEAN ANDY LOCKETT, PROFESSOR OF STRATEGY AND ENTREPRENEURSHIP, WARWICK BUSINESS SCHOOL, UNITED KINGDOM

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

DEAN AND PROFESSOR XIONGWEN LU,
SCHOOL OF MANAGEMENT, FUDAN UNIVERSITY, CHINA.

"THE SCHOOL OF MANAGEMENT, FUDAN UNIVERSITY JOINED THE COUNCIL TO COMMUNICATE, EXCHANGE AND COLLABORATE WITH OUR GLOBAL PARTNERS, ABSORB ADVANCED MANAGEMENT IDEAS AND SHARE CHINA'S UNIQUE EXPERIENCE. AS A LEADING BUSINESS SCHOOL IN CHINA, WE WILL MAKE CONTINUOUS EFFORTS TO DRIVE THE MUTUAL DEVELOPMENT OF GLOBAL MANAGEMENT EDUCATION AND THE SOCIAL ECONOMY."

DEAN LEE NEWMAN, IE BUSINESS SCHOOL, SPAIN

"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 AND PRESIDENT VINCENZO VINZI,
ESSEC BUSINESS SCHOOL, FRANCE, ASIA-PACIFIC, AFRICA.

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

DEAN SAKASUME YU,
KEIO BUSINESS SCHOOL, JAPAN

"AS THE LEADING BUSINESS SCHOOL IN JAPAN, IT IS OUR DUTY TO INVESTIGATE HOW BUSINESS SHOULD MAINTAIN A BALANCE WITH GLOBAL SOCIETAL ISSUES. WE DESIRE TO EXPLAIN TO THE WORLD WHAT JAPAN HAS EXPERIENCED THROUGH RAPID GROWTH BY MEANS OF THE COUNCIL ON BUSINESS & SOCIETY."

/THE COBS
WELCOMES TWO NEW DEANS

YU SAKAZUME
Dean and Professor in
Operations Management,
Keio Business School

Keio Business School (KBS) is the first business school established in Japan. It is our mission to develop leaders who can envision and materialize original business concepts, and to provide an environment where scholars and students of diverse backgrounds find enjoyment in learning together, delivering world-class research, and integrating academic theory with business experience.

More than ever before, the growth and survival of a company depends on smart decision-making from a management perspective. Companies face a growing need for managers who are equipped with systematic management knowledge and practical management skills. Hence, the role of business schools is becoming increasingly important as economic society changes.

KBS's programs have several distinctive advantages. One is the case method for practical management study. We deem that the interactive teaching style used for the case method is extremely effective for acquiring practical management skills. The case method is also effective for fostering leadership and a sense of management mission, not only for acquiring knowledge, as students will grow through the daily process of explaining their ideas and debating views on cases among a diverse group of people. Another distinguishing feature of KBS is internationalization. First of all, KBS

maintains various international learning opportunities in collaboration with leading business schools around the world, not only in Europe and the United States, but also in Asia, Africa, and Latin America. We provide international exchange programs, double-degree programs, and a range of collaborative projects with these schools. The international exchange program allows KBS students to study abroad and transfer credits from any of the world's top 51 business schools (as of March 2022). Conversely, through this program, we accept many visiting exchange students from overseas schools to promote the internationalization of the KBS campus. Secondly, KBS is an active member of the International business school community. KBS maintains the international accreditation by the Association to Advance Collegiate Schools of Business (AACSB) of the United States. We also participate in the Association of Asia-Pacific Business Schools (AAPBS), Partnership in International Management (PIM), and European Foundation for Management Development (EFMD), in addition to Council on Business & Society (CoBS).

Under a dynamically changing environment, there has never been a greater need for management talent capable of envisioning and executing new business models. As a leading business school in Japan, KBS is committed to continually enhancing its programs in order to nurture business pioneers who can lead organizations on the frontier of a rapidly changing economy and society.

LEE NEWMAN,
Dean of IE Business School

What does it mean to be a business professional in the new world of work? What responsibilities might I have beyond being successful in my current role? These are questions that we ask our students and alumni to consider as they reflect upon the next steps of their careers.

At, IE Business School, we teach our students to anticipate trends and to capitalize on change. As dean, I have as my mission to do the same in thinking about the future of business education. In that spirit, we have embarked on a new stage of innovation at IE Business School, with the mission of disrupting ourselves in a sector not only undergoing profound changes but likely also approaching a point of inflection. We aim to anticipate the needs of learners and recruiters alike and align our programs with those needs. We also aim to ensure that our graduates become purposeful leaders who feel compelled to use their business skills to make a difference in the world beyond success in their current professional roles.

Every individual has unique aspirations and strengths. In addition, everyone has gaps in their skills and experiences. Our critical mission for IE Business School candidates and current students is to help each individual identify those strengths and gaps and help guide them towards defining their Next Best You with an achievable plan. It's important to note, however, that this concept goes beyond an intense emphasis on individualized careers journeys.

As I stepped into the role of dean last year, I spent a lot of time listening to the IE Business School community. There was one word that emerged in nearly every conversation: Purpose.

From our youngest BBA students to our most senior alumni, it seems that the great challenges we face today, which are global and fast-paced, have catalyzed an awareness that we can – and must – find ways to use our business skills with purpose. This sense of purpose comes in many forms, whether it is responsibility to the planet, society, our local communities or, for example, to the well-being of our co-workers. This is why, at IE Business School, Business with Purpose is now a core element of who we are and how we educate, as well as how we help our alumni to shape a better future as business professionals.

IE Business School is a global community of 50,000+ diverse, entrepreneurial, and motivated individuals. Together we can inspire a new generation of business professionals for a new world, one that desperately needs our skills, creativity, and passion to drive positive change.

/EDITORIAL

Richard McCRACKEN
Director
The Case Centre

Adrian ZICARI
Executive Director
Council on Business & Society

Our businesses, our careers, our daily lives, depend upon our ability to make decisions. So much depends upon our ability to recognise and squeeze the most out of the parameters and options within which we must operate.

Decision making is a dynamic and experience-based process, one of the most important skills that business schools teach. And there are many tools for teaching decision making:

• Research papers can expose, analyse, and capture the data and context of decision making.
• Lecturing may explain and deliver the quants, the facts, and explain the theory.
• Storytelling can share examples of success or failure.

These are successful and valued tools and resources for every business educator. However, the case method brings together elements from all of these tools to produce a uniquely dynamic and impactful learning environment.

Would you like to know why the case method is such a high impact tool for teaching and learning? Let me tell you a story.

It was 8 o'clock on a January morning in 18th century Vienna and Leopold Mozart was worried. Leopold knew that the success of the family business depended on his gifted son Wolfgang Amadeus meeting their princely benefactor promptly at 9 am. But Wolfgang was still in bed.

The bedroom of the young Wolfgang Amadeus Mozart was bitterly cold. Anticipating the frost on the inside of the window, and the chill floor on his bare feet, he drew the covers more tightly around him and prepared to grab a few more minutes asleep when…

Now, here, dear reader, a lecture completes the narrative. Like this:

…the sound of a scale floated up from downstairs, the notes moving satisfactorily in sequence away from C until they seemed certain to conclude by returning to C an octave higher. Almost, but not quite. The player stopped one note short of the resolution Wolfgang anticipated. He tried to fall back to sleep. He couldn't. He tried to ignore the imperfection. He couldn't. The more he tried, the more it niggled until it became impossible. Leaping out of bed, Wolfgang ran downstairs, bumped his father away from the harpsicord and played the single note that completed the scale and ended his frustration.

There is something to be said for a simple, impactful, and memorable example of a good leader understanding how to motivate his workforce, rather like the proverbs by which we learn the rudiments of what might be called common sense. The problem is that attempting to apply such lessons in practice soon exposes their limitations and contradictions. Should my start-up hire (because many hands make light work), or fire (because too many cooks spoil the broth)?

The case method is much richer. Its three components – the case, its accompanying teaching note, and the case discussion – combine research with narrative strength and Socratic questioning to deliver student engagement and sustained learning.

The case typically describes a protagonist's unresolved dilemma. The teaching note supports the teacher in driving the case discussion and linking practitioner experience to academic theory. Then the methodology resolves in the case discussion, a teacher-facilitated discussion of the scenario that engages and challenges students as they attempt to resolve the dilemma. Case method students confront the dynamic of real-life business decisions. Real experience is delivered into the classroom forcing students to apply theory, their own experience, and collaborative soft skills to resolve the dilemma.

Now consider Leopold's story as a teaching case.

As the case teacher and her students attempt a resolution by working through his dilemma, students are likely to generate unpredictable variants to Leopold's decision. Could he heat Wolfgang's bedroom? Install double glazing? Should he avoid early morning meetings with rich and influential patrons, or bring Wolfgang into the management team? What if Wolfgang played a different instrument, or what if he were a painter or carpenter rather than a composer. Would the unresolved scale still work? Which data, management theories or approaches might help?

There are challenges here for both teachers and students.

Case classes are demanding. Students must prepare well, more rigorously than for lectures, and be willing to be tested in the discussion. In return they will discover and develop skills in preparation and analysis, self-confidence, and empathy to supercharge their recruitment and provide valuable touch points throughout their careers. One can see students growing in confidence, particularly international students who benefit from being experts when discussing cases written about their homelands.

Teachers also are tested. It takes a confident and well-prepared teacher to facilitate and capture a dynamic discussion while retaining ownership of the classroom. Many teachers benefit from the insights and links to theory and practice shared by case authors in the accompanying case teaching note. The reward is a rich classroom environment and greater engagement from students that can extend beyond graduation.

The case approach is also flexible and responds well to the demands of teaching in hybrid and online environments post-COVID. Case teachers and writers adapt well to the new environment. We surveyed our members to ask which online elements they would keep when they returned to campus. They reported that the case method performed better online than alternative approaches such as lectures. Online, students have more time to consider and research their responses, students who are not native speakers are able to follow more easily than in the classroom – and that input from educational designers is invaluable. This points towards the future in which the strengths of the case method are more fully realised than ever, expressed through alternative formats suited to hybrid or blended course environments.

Teaching cases may address many different issues in management, and they are particularly useful for exploring the complex world of Sustainability and Corporate Social Responsibility, the fields that interest the readers of this magazine. Besides, those disciplines deal with pressing social and environmental issues, involving many stakeholders, and frequent tensions between social impact and profits. That is, the kind of complexity that a teaching case, with its rich context, based in real life situations, can better address.

Moreover, while Sustainability and Corporate Social Responsibility have global aspects (for instance, carbon footprint is the same anywhere in the world), some other aspects remain local. Social demands on companies are different across the world. What works well in Paris maybe does not work that well in Buenos Aires. Thus, there is a need for developing international cases that prepare students to be great managers anywhere in the world. This resonates with the international reach of the CoBS, with its member schools spanning four continents.

Thus, I invite the readers of this magazine to consider case teaching as a key tool in teaching business. A tool that is efficient, reliable, powerful and particularly appropriate for the fields of Sustainability and CSR. We are looking forward for more cases in these fields, hopefully authored by faculty from the CoBS member schools. Help us deliver a case method that is more varied and open to variation than ever before – a river with many tributaries. Be a part of it.

OUR CONTRIBUTORS
BRAINS
THAT HAVE
BRAWN

TUCK S. CHUNG
ESSEC Business School,
Asia-Pacific

Tanusree Jain
Trinity Business School

LOUIS BRENNAN
Trinity Business School

DAVID ALLEN
Warwick Business School

PENG HE
School of Management
Fudan University

CHRIS BELL
Schulich School of Business

MACIEJ WORKIEWICZ
ESSEC Business School

LAURA MCDERMOTT
IE Business School

ALEXANDRA ZOGRAFOU
IE Business School

BRIAN KAITANO
Maseno University

**SUSANA CARLA FARIAS
PEREIRA**
FGV-EAESP

SIMONE SEHNEM
UNOESC

FARID BADDACHE
Ksapa

FREDERIK DAHLMANN
Warwick Business School

CHARLES CHO
Schulich School of Business

ALEXIS DE LA TOUR DU PIN
ESSEC Business School

MIHOKO SAKURAI
International University
of Japan

JIRO KOKURYO
Keio University

APPROCHING PLANET EARTH. ACTIVATE THE ZIRCON RAY LISTENING DEVICE, ZORG!

CURIOUS... WHAT IS YOUR ANALYSIS OF THE SITUATION, ZORG?

IT SEEMS LIKE SOME SORT OF EARTHLING DISTRESS SIGNAL, SIR.

© Matthieu Anziani

RedeFine the NARRATIVE
PEEL the Onion
DIGITAL DISRUPTION
PAIN POINT
LOW hanging FRUIT
CARBON FOOTPRINT
MOVING THE NEEDLE
STREECH GOALS
DRILL DOWN
DEEP DIVE
DOWNSIZE
BACK TO BACK MEETINGS

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BUSINESS, SOCIETY

UNLOCKING CUSTOMER VALUE THROUGH DATA-DRIVEN PERSONALIZATION

How many of us spare barely a second or two to read an ad on our mobiles? **Tuck S. Chung,** Professor of Marketing at **ESSEC Business School, Asia-Pacific,** shares research into how big data can be used to improve product personalization and overcome the challenge of short attention span.

In the age of big data, a firm who can harness the power of advanced analytic techniques is better able to secure the loyalty of the customers and to win customers over from the competitors. Indeed, customer data is enabling companies to adapt their offerings and better meet their customers' needs on an unprecedented scale. Nevertheless, many companies haven't seized this opportunity—opting instead to let their customers personalize services manually. Through his research, Professor Tuck S. Chung of ESSEC Business School, Asia-Pacific argues that this is ineffective. Instead, he proposes a new approach to personalization that leverages customer data and algorithms to identify and adapt to customer preferences in real-time—creating substantial value for consumers and companies in the process.

REVEALING REAL PREFERENCES

With more and more of business revolving around information services, the cost of changing products over time is less and less of an obstacle. The challenge for companies today is instead determining how their products should change to better fit their customers' needs. Currently, the predominant

> **"Mobile devices are hampered by people's shorter attention spans—making the personalization of the content they display more crucial to meeting customers' needs.**

© MELPOMENEM

Indeed, by implementing the algorithm in the mobile news application, the studies found that users were more accurately and consistently shown articles that they preferred than when they self-customized themselves. Moreover, the predictive performance of the algorithm increased when users' social networks were used in the system. This eased the process for users to find articles to read and even increased the time they spent reading them—evidence for both initial and sustained interest in these personalized articles. Most impressively, the second field experience showed that the adaptive personalization system improved over time as it learned more about the user's preferences.

Although the collection and use of users' data in Professor Chung's proposed adaptive personalization system may seem to erode privacy to a degree—even if much of the information can be shared anonymously—the practice may be a win-win for both customers and companies alike. Customers, on the one hand, gain from better-personalized products, while the service providers gain from being able to better satisfy their customers' needs—and presumably from monetizing some of that added value. The proposed system exemplifies the benefits that can be drawn from using big data and technology to provide improved service to customers on an individual scale.

A UNIQUE PATH FORWARD

As companies increasingly have access to individual customer data, they can use that information to personalize their offerings in a way that better serves their customers' needs. Although it has long been held that personalization can most effectively be done by people themselves, Prof. Chung's research demonstrates that leveraging technology may yield better results and perpetually improve personalization over time. This new system for automatically adapting services in a cost-effective manner may be a golden opportunity for companies to bring value to their customers and themselves in a truly unique way. ///

approach used on the internet is to let customers personalize the product themselves. However, research has demonstrated that this self-customization approach is ineffective as people are surprisingly incapable of determining what they want.

Instead, Prof. Chung argues that an "adaptive personalization" system that, over time, adapts the product based on observed customer behaviour can produce a better outcome as it learns more about the customer. The benefits of this approach are that it is automatic—requiring no proactive effort on the part of the customer—and that it learns about the customer's preferences in real-time. What's more, this adaptive personalization can be accomplished at a low cost by using automatic algorithms because customer behaviour data on information products can be easily collected.

In addition to the customer's own data, Prof. Chung argues that by incorporating information from their social network, the system's performance will further improve. Indeed, prior research on social networks has extensively documented the influence of peers on the adoption and usage of products. This is because peers—as opposed to experts—exert a greater influence on choices for products that involve personal taste. As people often rely on their friends' choices to make their own, including this data from social networks can help the personalization system better discern the customer's preferences.

A NEWSWORTHY APPLICATION

In order to test this approach, Professor Chung and his fellow researchers decided to implement the adaptive personalization system in a mobile news application they developed. As mobile devices are more integrated into people's personal lives they represent a more natural way in which digital services are consumed. This makes them an ideal setting to test the consumption of digital services. What's more, mobile devices are hampered by people's shorter attention spans—making the personalization of the content they display more crucial to meeting customers' needs.

News, on the other hand, has traditionally been mass-produced with television and print media catering to mass audiences. However, as people increasingly turn to the internet and social media to get their information, audiences are becoming smaller and more targeted. Combined with the attention-constraining pressure of mobile usage, this has created a need for highly personalized news content—eliminating the burden of sifting through dozens of articles to find one worth reading.

The problem is that today, the vast majority of news websites and applications only allow the user to personalize their news manually. This is where Professor Chung's proposal comes in. The researchers' mobile news application used an adaptive algorithm that captured the user's change in reading preference and subsequently presented them with articles based on this observation. In addition, the application employed the user's social network for cases in which their preference for a news article was deemed to be ambiguous—maximizing the potential for peer influence.

FINDING A BETTER READ

To measure the success of their application, the researchers conducted two field studies: the first to collect data on participants' reading behaviour on mobile devices and the second to report changes to this behaviour resulting from the implementation of the adaptive personalization system. Several dozen undergraduate students from a major university were recruited for the study and lent mobile devices on which they could use the application. The findings from both these studies provided clear evidence that the researchers' proposal was a better system for personalization than alternatives.

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KEYS TAKEAWAYS

- ☐ A firm who can harness the power of advanced analytic techniques is better able to secure the loyalty of the customers and to win customers over from the competitors.

- ☐ Nevertheless, many companies have not seized this opportunity—opting instead to let their customers personalize services manually.

- ☐ The challenge for companies today is instead determining how their products should change to better fit their customers' needs.

- ☐ Currently, the predominant approach used on the internet is to let customers personalize the product themselves. However, this approach is ineffective as people are surprisingly incapable of determining what they want.

- ☐ Tuck S. Chung's proposal for a new approach to personalization leverages customer data and algorithms to identify and adapt to customer preferences in real-time—creating substantial value for consumers and companies in the process.

- ☐ As people often rely on their friends' choices to make their own, including this data from social networks can help the personalization system better discern the customer's preferences.

- ☐ Although the collection and use of users' data in Professor Chung's proposed adaptive personalization system may seem to erode privacy to a degree—even though much of the information can be shared anonymously—the practice is a win-win for both customers and companies alike.

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REMOTE WORKING: LESSONS FROM NASA'S ISOLATION PROS

What can space missions teach us about remote work? Professors **Tanusree Jain** and **Louis Brennan** of **Trinity Business School** explore routines from 'out of this world' that enable the Earthbound to successfully adapt to the future of work.

"A brief emergency. That's all there is to it," thought Mr. Baker as he leaned back in his chair, quietly sipping his coffee. It had only been a few days since the COVID-19 crisis forced the employees of his fast-growing tech startup to leave their offices and work from home.

Alas, little did he know at the time that this whole work-from-home thing wasn't going away anytime soon. That his now vacant office in midtown Manhattan would seem like the ruins of a bygone era for many 'moons' to come. And that he would deeply miss, for a very long time, the intangible magic that comes from being with people.

Fast forward to the present day. We are entering the third year of a global pandemic that hit like an asteroid and brought unprecedented changes to work. And although it is hard to pin down where we might find ourselves in the months ahead, one thing is certain. Remote work in some permutation is here to stay.

A BLESSING AND A BURDEN

Legions of employees have embraced remote work as the new normal. And why not? The pros are very clear: Supreme flexibility, undeniable autonomy and a commute that consists of walking down the hallway or a flight of stairs. Plus, less worry about virus exposure and vaccine-hesitant colleagues. But there is a flip side as well. The home-work environment is

> **There are three 'space' strategies from which all 'Earth' teams could reap benefits.**

fraught with challenges: Extended periods of labour in what are often confined spaces; blurred boundaries between professional and personal time; and, limited physical social interactions with workmates. Additionally, many have reported losing their basic sense of when days begin and end. In a recent survey in the UK, over 80% of participants said that their perception of time was affected during the pandemic. To make matters worse, there is no clear transition from weekdays at the office to weekends at home.

Faced with such a dark dangerous downside, do companies and employees have no other choice but to just grin and bear it? The answer is no.

THE PANACEA 'MODEL' FOR ALL REMOTE WORKING ILLS

Gathering insights from their research on the business of space, teleworking, and the link between technology and isolation — and discussions with middle management teams at tech companies — Profs. Jain and

Brennan unveil tactics to successfully tackle the aforementioned problems and effectively manage a hybrid work environment. Approaches that draw inspiration from the organisation of work during space missions. Yes, you heard that right — space missions.

The typical space mission is representative of a physically disconnected work structure. On the one hand, you have the Mission Control — *aka* the office headquarters. On the other, you have distantly located, task-oriented teams. Such missions are characteristic of an isolated working environment within and across teams, and one in which a strong ethic of teamwork facilitated through close communication underpins the successful completion of an assignment — whether it is discovering how the lakes on Titan shimmer, or what the mineralogy of a particular Martian rock is.

Believe it or not, there are helpful cues managers can take from how astronauts structure their time and routines that lead to better planning and execution of work in a compact environment. After all, these gregarious space explorers have conquered the most splendid isolation of all.

THE POWER OF ROUTINE

During a crisis, routines undergo changes and evolve. Sometimes, not for the better. In fact, COVID-19 has produced some routines that are neither healthy nor sustainable: Working in pajamas. Eating lunch over the computer keyboard. Working beyond regular office hours. Routines have immense value. They enable organisational work to stay on track by building positive and healthy workplace habits. In addition, their institutionalization over time creates prompts that trigger specified responses. Observations and experiences within organisations shape people's understanding of everyday routines, which in turn affect workflows. Be it checking emails at the start of the day, having spontaneous catch-ups with fellow co-workers at the coffee station, or looking forward to Friday evening after-work drinks, the repetition of workplace routines builds a sense of stability, safety, and predictability.

Addressing the inherent challenges of hybrid work, where colleagues must collaborate from different locations and are often in their personal living spaces, requires the development of new routines — similar to ones perfected by astronauts. So, what are those routines that can be borrowed from space travellers and their missions?

A leaf out of a journey to the cosmos
Although the dimensions and levels of hybridity within various functional units of an organisation may differ, there are three 'space' strategies from which all 'Earth' teams could reap benefits: Manufacturing zeitgebers to build new rhythms; planning for both structure and flexibility; and prioritising internal communication. Let us discuss each of these lessons in detail.

THE TIMEKEEPER AND HIS SHIFTING HOURGLASS

Zeitgebers (German for "time givers") are external environmental factors that help to regulate the body's internal biological rhythms. Examples include sunlight, darkness, temperature changes, as well as food intake, physical activity, and social interaction — things that influence energy levels and tell the body when to be alert. And when these timekeepers change significantly, people's body clocks are thrown into chaos, triggering a downward spiral in mood, and eventually, affecting performance outcomes. If you have ever worked the night shift, you would easily be able to relate to this.

Humans are programmed to be asleep at night and awake during the day. Night shifts disturb these patterns, hacking the biological clock. As we sit hunched at our desks at night-time, staring at our laptop screens, we no longer have the 'Go for it!' signal from sunlight that we get working under a bright blue sky. In contrast, we have our body telling us to 'put our pajamas on'. This in turn can result in pretty serious consequences — lack of concentration, interest, and energy, just to name a few.

If this is the situation for the night shift worker on Earth, imagine how a day would be for someone in the dramatically different space environment. Someone who witnesses multiple sunrises and sunsets a day — as many as 16 sunrises every 24 hours on the International Space Station as it orbits Earth. But a journey around the earth every 90 minutes is not the only problem.

Space missions involve extended periods of time spent in a confined physical setting. Not to mention, astronauts are subjected to restricted physical social interactions, work rhythms that include intense activity spurts, changes in eating patterns, and a reduction in the range of emotions they feel on a daily basis. Although their hectic work schedules keep them occupied, astronauts have to adjust to these alterations to their natural zeitgebers. And how do they do it?
Space explorers mark the passage of time by eating together, engaging in group recreational activities, celebrating holidays, and interacting with friends, family and loved ones via audio or video. Mission managers also do their part. They structure long-duration expeditions with intermediate goals, celebrating each milestone and highlighting the progress made toward the overall mission goal.

Now, let us travel back 250 miles to examples on Earth. Salesforce encourages its personnel to have a routine such that no one works outside of 8:30 to 5:30. Contractbook, a Danish contract management platform, has put in place an array of zeitgebers for its virtual workforce, including bi-weekly town halls, water cooler calls, selfie days, and a virtual gong over Slack every time a new sale closes. Such routines enable employees to celebrate small wins and replicate casual interactions with colleagues — even those they have never met in person.

In essence, as organisations move to establish more permanent options for hybrid working, it is crucial that managers account for lost zeitgebers and build new ones.

LITTLE BIT OF THIS, LITTLE BIT OF THAT

Workplace structure refers to how individual departments, managers, and teams are organised and collaborate with one another. Office layouts may include open spaces to allow for fluidity in interactions across various teams, hot-desk options for work that need privacy, and conference rooms for quick meetings and bigger group discussions. Remote working has resulted in a complete disruption of this open office concept. Instead of an agile environment with active physical and social interaction and abundant open space, we now have the remote backdrop plagued by extended periods of rigidity, both in a physical sense and a social sense.

Astronauts are no strangers to this rigidity and respond to the condition by observing a set schedule and routines on weekdays, with greater flexibility on weekends. Time is also set aside for carrying out housekeeping duties. The aim is to create organisation and consistency within the limits of a rigid environment.

When establishing hybrid work arrangements, managers must encourage workers to set boundaries and strike a balance between structure and flexibility to ensure that work does not creep into all aspects of daily life. Xilinx started giving staff members the third Friday of the month off during COVID-19, specifically to relieve employees from work-related stresses and to create a healthy boundary between work and personal life.

At the end of the day, a certain degree of strictness and consistency in procedures helps to regulate behaviour and facilitate individual performance and group interactions. So, while some companies, such as Facebook, are giving employees the option to go fully remote, it is more prudent to put in place a broad structure that allows for some days at home and some days in the office. In doing so, collaboration can continue onsite.

COMMUNICATION IS EVERYTHING

Internal corporate communication is the lifeblood of modern-day organisations. Even more so now that businesses are managing remote work teams.

Extended periods of disconnection from the physical work environment and peers pose serious challenges for communication, resulting in work pressures that are differently and individually experienced by personnel. While the phenomenon of strained relations between remote workers and headquarters has long been commonplace, it has become particularly challenging for remote onboarding. With on-site onboarding, things are fairly simple. New hires come to the office on their first day and get access to everything, from company email to any training or confidential material they need to read and sign. And even if there is a delay in receiving information and necessary materials on the first day on the job, it might be considered a trivial oversight by those physically onboarded. But what

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if a new hire's office is his/her home? Such lags can be extremely frustrating and alienating.

Space missions are no different. If you are out of sight, you are also out of mind. Far-flung personnel have felt shunned and left out and noticed a lack of empathy on the part of Mission Control when it came to understanding the constraints and stressors of working remotely. NASA learned from this incident and built schedules that factor in regular communication and check-ins across teams while still allowing for flexibility in engagement and interaction. Others did their part as well. For instance, let's take the example of Salesforce. The company implemented a thoughtful remote onboarding strategy during the pandemic — emphasizing on building trust, promoting a positive workplace culture, and strengthening relationships — using a variety of fun social activities. Teams share a Spotify playlist for everyone on the squad to add new songs weekly, arrange virtual coffee catch-ups each morning and hold a happy hour on Thursday nights. Managers also regularly check-in with their new remote hire to see how they are doing. Not to mention playing some music to lighten up the mood as team members wait for a Zoom meeting to start.

In sum, managers must understand that person-to-person communication cues — both verbal and physical — are critical. They help employees create networks and bonds at work, instil organisational values, and convey systems and workflows.

THE PATH FORWARD

Since the COVID-19 pandemic hit, millions around the world have been participating in what's been touted as one of the biggest social experiments of our time: A huge, randomised trial testing the idea that jobs can be done from kitchen tables and couches.

In many ways it has been a rousing success. The major perks being people having more flexibility and not having to commute.

But the experiment hasn't been all positive. There are a number of challenges — encroachment of work in personal lives, loss of face-to-face communication, for instance — that employees continue to struggle with. For companies, helping their staff overcome these problems and successfully adapt to work from home will become more critical than ever in 2022. A perfect starting point for managers would be to take a few steps in an astronaut's boots and learn from routines honed in a setting where isolation and confinement is the norm.

The lessons from space are very instructive. Organisations can succeed when employees based in the terrestrial capsules they call home have the benefits of structure and frequent communication with their co-workers and managers. A positive employee experience drives productivity, engagement, commitment, and performance. Companies and their leadership should understand this reality. If not, then *"Houston, we have a problem"*. ///

KEYS TAKEAWAYS

- After the Covid-19 pandemic, it is clear that remote work in some permutation is here to stay.

- Although the home-work environment provides a fair share of benefits to employees, it continues to be muddled with challenges.

- Routines are of great value and enable organisational work to stay on track through habit-forming behaviors.

- Space missions are characteristic of an isolated working environment within and across teams. As such, the organisation of work during space missions is a useful model for how to manage a typical hybrid work environment.

- A successful adaptation to working from home calls for the development of new routines — similar to ones perfected by astronauts.

- While the dimensions and levels of hybridity within different functional units of a company may vary, there are three strategies — manufacturing zeitgebers to build new rhythms, planning for both structure and flexibility, and prioritising internal communication — from which all teams could benefit.

Trinity College Dublin
Coláiste na Tríonóide, Baile Átha Cliath
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Trinity Business School

HYBRID WORKING, EMPLOYEES AND NEW TALENT: HOW DO THEY AFFECT MANAGEMENT?

Professor **David Allen, Warwick Business School,** explores the shift, resistance, challenges and ways for managers and organisations to effectively manage hybrid working in the face of pressure from employees and new talent.

> **Work isn't seen as a standalone entity anymore, but rather an extension of who we are as people.**

Before COVID-19 upended much of society as we know it, remote working was something of a niche activity.

Indeed, in 2019 official data from the Office for National Statistics (ONS) suggested that around five per cent of UK employees worked primarily from home, with around 12 per cent doing so on a part-time basis. But by the height of the first lockdown in 2020, this had leapt to 25.9 per cent.

What's more, the ONS found that of these eight million or so people, 85 per cent would like to take advantage of a 'hybrid' approach that combined both home and office-based work in the future.

While this prompted many policymakers and commentators to ponder its impact on society more generally, and especially on the cities that had been the engines of our economy for so long, it also has significant implications for the workplace itself.

OLD HABITS DIE HARD

After all, despite the tremendous sense of disruption in the past 18 months, we still operate in a society in which traditional views dominate. Indeed, a recent report from Lancaster University's Work Foundation raised concerns that this traditional mindset would hamper any transition to the more hybrid workplace that so many seem to want.

"There is a real risk that 'office culture' is so ingrained that even organisations that pursue flexible or hybrid arrangements could end up introducing inequalities between those who primarily work on-site and those who work remotely," the authors say. «Doing so would jeopardise the opportunities that hybrid working could bring to so many -particularly parents, carers and disabled workers - who have benefited from increased flexibility since 2020."

This was typified by the comments of Conservative Party Chairman Oliver Dowden, who told the party's annual conference that "people need to get off their Pelotons and back to their desks", in an apparent jibe at senior civil servant Sarah Healey, who had remarked that the removal of her commute had enabled her to exercise more and adopt a healthier work-life balance.

POWER AT THE POINT OF PRODUCTION: THE JOB SEEKERS

As Florida Atlantic University's Michael Harari explained recently, however, job seekers increasingly have the upper hand in a market that has been chronicled as the 'great resignation', with organisations struggling to attract the talent they need to thrive. This has prompted considerable introspection by companies around just what kind of employee experience they want to offer and how to be as attractive as possible to people who increasingly have multiple options on the table.

This introspection will need to look at the employee experience from 'cradle to grave' of each individual. For instance, research from the Washington University in St. Louis illustrates how important it is to employees today that the values of their employer are aligned with their values as an individual.

Work isn't seen as a standalone entity anymore, but rather an extension of who we are as people. As Yale's Jeffrey Sonnenfeld recently argued, Milton Friedman's famous speech about companies' primary obligation being to their shareholders rather than society has been widely misinterpreted, so firms have no excuse not to look to be good corporate citizens.

This extends to a growing appreciation for the need to support employees across their entire lives. The pandemic has given us obvious glimpses into the pernicious impact grief can have on people, while also highlighting challenges in areas such as home-schooling children or caring for a relative (much of which still tends to rest on the shoulders of the women of the household).

WHAT ARE THE CHALLENGES OF MANAGING HYBRID WORKERS?

It's perhaps no surprise, therefore, that workplace software firm OC Tanner's Global Culture Report revealed that burnout had risen by 15 per cent during the pandemic.

As Robert Hooijberg and Michael Watkins explain in MIT Sloan Management Review, managing in a hybrid workplace requires very different skills and processes to those required in a traditional workplace. For instance, onboarding has been a much-cited challenge during the pandemic, not least due to the difficulties in imbuing new hires with the cultural aspects of their new workplace.

To remedy this challenge, a growing number of employers have begun to offer 'onboarding coaches' who can help the new hire to settle in, meet the people they need to meet, and understand how the organisation works. In developing that social glue, however, it's highly recommended that new hires spend time with their colleagues in a face-to-face environment to help them build meaningful relationships, even if research from Harvard Business School suggests that bonds can be formed in a purely virtual environment if the right approach is taken.

Research from Boston College reaffirms this hybrid approach, and argues that the key to successful virtual teamwork is to understand the «cadence» of the team. This describes our ability to understand who our colleagues are and how any interactions we have with them might unfold.

FROM COUNTING BUMS ON SEATS TO MEASURING EMPLOYEES BY WHAT THEY PRODUCE

The researchers argue that these tasks are generally that bit easier in a face-to-face environment, and just as we're more accepting of telehealth consultations with doctors once we have established a rapport with them offline, this is also much the case in the workplace too.

Trust is fundamental to success with these hybrid relationships as remote workers have an almost unprecedented level of autonomy to work how, where, and often when they think they will deliver the best results. Various surveys during the pandemic have shown that this has tended to make people more productive, and this return of agency will hopefully endure in the post-COVID era.

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This is key as there have been inevitable concerns that a fully remote working experience is not suitable for all, with younger employees particularly suffering from poor conditions at home and the lack of face-time with key employees in the office. An ideal outcome will be one in which options are given to employees and they are given the responsibility and agency to choose what works best for them.

For this to succeed will require a shift away from counting bums on seats towards measuring employees by what they produce. This extends to measurement and rewards in general, and should include elements such as the distribution of the most attractive projects and any promotions and pay rises that result.

The way that employers deal with this transitional period could define them as an organisation in terms of their competitiveness in the labour market.

If they can involve employees in figuring out the best approach for them while being open and transparent along the way, then they stand a good chance of creating an employee experience that can help them and their workforce thrive. ///

KEYS TAKEAWAYS

▢ Before COVID-19, remote working was something of a niche activity. In 2019, 5% per cent of UK employees worked primarily from home, with 12% on a part-time basis. In the first lockdown in 2020, this had leapt to 25.9%.

▢ The ONS found that 85% of these remote workers – 8m people – wanted to take advantage of a 'hybrid' approach that combined both home and office-based work in the future.

▢ But we still operate in a society in which traditional views dominate. However, job seekers increasingly have the upper hand in a market with organisations struggling to attract the talent they need to thrive.

▢ Research from the Washington University in St. Louis illustrates how important it is to employees today that the values of their employer are aligned with their values as an individual, as well as packages that include measures for home-schooling children or caring for a relative.

▢ A major challenge of hybrid working: onboarding and imbuing new hires with the cultural and social aspects of their new workplace. Trust is fundamental to success with these hybrid relationships.

▢ A shift towards measuring employees by what they produce is required, with rewards including the distribution of the most attractive projects and any promotions and pay rises that result.

▢ The way that employers deal with this transitional period could define them as an organisation in terms of their competitiveness in the labour market. To be successful, they need to involve employees in finding the best approach.

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CONFLICT, ENVY AND KNOWLEDGE HIDING: A CHAIN REACTION

What causes knowledge hiding in organizations and how can it be averted? Professors **Peng He, School of Management Fudan University,** and **Chris Bell, Schulich School of Business,** York University Canada explore the causes, impact, and remedies of the phenomenon.

For quite a few years now and the foreseeable future, global and local economies are shifting towards being knowledge-focused. In such a scenario, the consequences of knowledge hiding – the intentional attempt by an individual to withhold or conceal knowledge requested by another person – are catastrophic to the organisation.

Professors Peng and Bell analyse the causes and effects of knowledge hiding. While there can be various causes such as time pressure, ethical leadership and individual factors such as motivation, the professors focus on a particular factor that is widely credited for initiating knowledge hiding – relationship conflict. After understanding the causes, we look at a few methods to mitigate and eventually cease knowledge hiding.

RELATIONSHIP CONFLICTS AS THE SPARK

To understand and tackle such an important phenomenon, it is essential to look at the cause of it. Knowledge hiding, the professors claim, is not a spontaneous reaction but rather a gradual reaction that almost always starts with the same trigger – Relationship Conflicts: disagreements among group members about interpersonal issues. For example, personal differences or differences in norms and values.

> **As the need to defend one's standing becomes less salient, employees abstain from knowledge hiding.**

Studies have consistently shown that while the conflicts that arise during a task over the method or content of it can lead to positive outcomes due to healthy and constructive criticism, relationship conflicts can lower group performance, harm group creativity, and increase counterproductive work behavior. When the goal of the individual digresses from the success of the mission to personal success or failure, it inevitably leads to relationship conflicts.

ENVY AND COMPETITIVENESS AS THE CATALYSTS

Now that causes are strongly established, Professors Peng and Bell move on to find if there are specific catalysts that can accelerate the phenomenon. And indeed, there is not just one but two such catalysts – envy and competitiveness.

Envy is a painful, social, self-conscious "emotion of wanting an advantage that another person has and/or wishing the other did not have it". Competitiveness refers to "the enjoyment of interpersonal competition and the desire to win and be better than others". As evident from the definitions, both these characteristics arise from individual social comparisons and often lead to inferiority, hostility, and resentment through adverse behavior.

The crux of the argument is that relationship conflict is a trigger for competition and social comparison and so will promote envy which eventually leads to knowledge hiding. In a reaction that starts with relationship conflict and ends with knowledge hiding, competitiveness and envy play a vital role as very effective catalysts in increasing the pace and strength of the reaction.

KNOWLEDGE HIDING AS THE END PRODUCT

Initiated by relationship conflict and fuelled by envy and competitiveness, knowledge hiding is widely prevalent in workplaces, with 76% of employees having withheld knowledge from their colleagues and 60% of employees having experienced difficulty in obtaining important knowledge and information from their colleagues. So how can an organisation combat this pervasive issue?

An effective solution to combat knowledge hiding is to manage intragroup relationship conflict, for instance, by fostering a friendly and collaborative environment that will improve the relationships within the group or team. The undesirable effects of competition can be mitigated by increasing cooperation, refocusing the target, and engaging both employees and managers.

Professors Peng and Bell argue that as the need to defend one's standing becomes less salient, employees should abstain from knowledge hiding. Perhaps the most important and sought-after resource in an organisation is knowledge. This makes it all the more an imperative to ensure that knowledge hiding remains a marginal – if not inexistent – characteristic of the employees and the organization itself. ///

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KEYS TAKEAWAYS

◻ Relationship conflict can lower group performance, harm group creativity, and increase counterproductive work behavior.

◻ Envy is a strong and effective bridge connecting relationship conflicts and knowledge hiding.

◻ Competitiveness increases an individual's need to enhance their own power, reduce the power of the other, exploit or harm the other and advantage themselves.

◻ The crux of the argument is that relationship conflict is a trigger for competition and social comparison and so will promote envy.

◻ Knowledge hiding acts not only as a way to close the comparison gap but also as a preventive strategy to proactively interfere with the progress and hence the success of the counterpart.

◻ As the need to defend one's standing becomes less salient, employees should abstain from knowledge hiding.

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RESEARCH AND TEACHING IN BUSINESS SCHOOLS: CAN THE TWO GO TOGETHER?

Research has long-been criticized for being far-removed from the needs of on-the-ground practitioners. But can rigor and relevance go together after all? Professor **Maciej Workiewicz, ESSEC Business School,** dives deep into the numbers to explore business school rankings compared to research publications – and comes up with an answer.

First published on the Maciej Workiewicz blog @ https://www.maciejworkiewicz.com/

Dividing business schools between teaching- and research-oriented is a common practice among academics; particularly those on the job market. The idea is that a research-oriented institution provides the right environment, resources, and support for scholars who pursue a deeper understanding of their discipline or at least the best proxy we have – publications in top, peer-reviewed journals. This belief has been held more strongly in the US, but it has recently found new accolades among the European and Asian business schools [see my other blog post here].

However, the idea that scientific research in business academia can produce useful knowledge has its opponents. It would require a separate and lengthy blog post to even sketch the outlines of that debate and that is not my goal here. For curious readers I can suggest Mie Augier and James G. March's excellent book "The Roots, Rituals, and Rhetorics of Change".

> " The argument presented by some is that research and teaching are substitutes and either the school excels in one or the other.

Here I will mention only one of the numerous accusations, which is that management research has little to do with management practice and there is very little a true entrepreneur, manager, leader, etc. can learn from an article in one of the top management journals. This probably is true in some sense as scientific articles are written for other scientists, are full of often necessary jargon and to fully absorb the information requires some training on the part of the reader.

However, this criticism extends to the authors of these articles as well and casts doubt on whether an entrepreneur, a manager, or a business leader learns anything useful from a management scholar. Should business schools be hiring researchers, or is it only some kind of fetish imposed by arbitrary choices of business school ranking bodies?

OF RESEARCH, TEACHING, AND DOLLARS

In this article I want to share some data that suggests at least a partial answer to the following question: can hiring researchers help a business school to offer better and more relevant business education? I will use two sources for my inquiry: a) the excellent UT Dallas Research Ranking, and b) Financial Times MBA and Executive education rankings

In a post shared on my blog in 2018, I showed that European and Asian business schools have been catching up in terms of publications in the top management journals. Below is yet another way to show the same trend, but this time we will look at the performance of these schools in the FT MBA ranking as well. I will split the list of highest-ranked MBA programs into those based in North America and the rest of the world (mostly Europe and Asia & Australia). We will look at the relationship between the MBA rank and research rank for each of these groups as reported in the FT MBA ranking in 2001 and 2021. Figure 1. shows the scatter-plots and trend-lines. The first observation is that the research rank and MBA rank are positively correlated. This is to some extent expected. For one, research rank is one of the factors in the MBA ranking (it is 10% of the total score, right after salary and salary increase). However, remember that the argument presented by some is that research and teaching are substitutes and either the school excels in one or the other, so it could have gone the other way too or at least be flat.
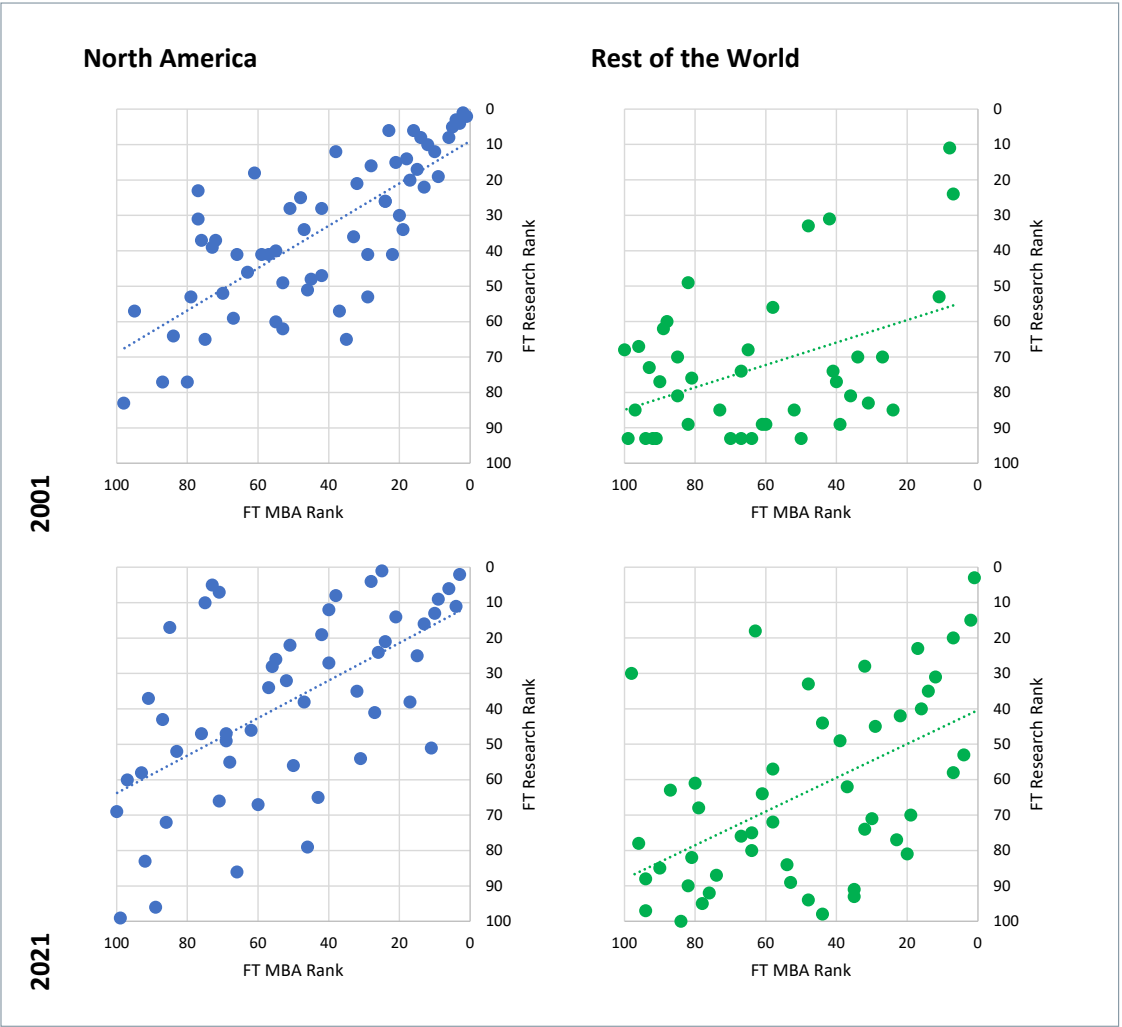

Figure 1. Relationship between Global MBA rank and Research Score for 2001 and 2021 by region

One potential interpretation of this relationship is that the top schools use the resources obtained from the MBA and other programs to pay their faculty to do research instead of teaching. In most top business schools, faculty spends only a small portion of their time on teaching. Thus, according to this argument, the causality runs the opposite way: better teaching brings more money, more money can be spent on research. In other words, research is what professors like to do, thus more time for research is just one of the perks that come with the job. It is probably true to some extent.

CATCH ME IF YOU CAN

The second observation is that while for the US schools the relationship between MBA and research rank remains more or less the same between 2001 and 2021, in other places, particularly in Europe, more and more schools are moving towards the North American model in that period. While in 2001 it would be relatively easy to split the North American and non-North American clusters, in 2021, they have become much more intermixed. This has happened not because more non-North American business schools have improved their MBA ranking (this has happened to some extent too), but rather the research rank has markedly improved for them (i.e., the green dots have moved up). Thus, Figure 1 shows that non-North American business schools have been slowly approaching the model applied by their North American cousins.

EXPLORING THE USEFULNESS OF RESEARCH

However, this doesn't yet answer our question whether management research published in top peer-reviewed journals by the faculty enhances, at least in some meaningful way, our understanding of the key issues in the management domain that in turn provides business practitioners with useful knowledge and skills?

Let's take a look at the FT ranking of executive programs. The neat thing about those is that participants in those programs are asked to evaluate the teaching quality and relevance of things being taught (FT Open Enrollment Executive Program Ranking 2018). More specifically, participants had to answer several questions. Here, I focused on three that I think approximate relevance and quality of teaching that interests us:

1. **Teaching methods and materials:** the extent to which teaching methods and materials were contemporary and appropriate, and included a suitable mix of academic rigor and practical relevance.
2. **Faculty:** the quality of teaching and the extent to which teaching staff worked together to present a coherent programme.
3. **New skills and learning:** relevance of skills gained to the workplace, the ease with which they were implemented and the extent to which the course encouraged new ways of thinking.

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IT LOOKS LIKE RIGOR AND RELEVANCE CAN GO TOGETHER

I pair these with the UT Dallas research score for each school. Specifically, I used The UTD Top 100 Business School Research Rankings to identify which schools in Europe made it to the top 100 in 2018. This ranking tracks publications by school in top 24 journals covering management, marketing, information science, operations, finance, and accounting. I took the research score that captures the research output of the faculty from each school in these 24 journals. I also smoothed out the variance by taking an average of three years' publication score, thus, for year 2018 I took publications for years 2016-2018.

Then I checked the correlations between each of the FT questions and the research score calculated from the UT Dallas ranking. I used the UT Dallas score here instead of the FT research rank from the MBA rankings, because not all the schools in the Executive Education ranking are present in the MBA one. UT Dallas Research Ranking covers all the schools as long as at least one of the faculty in their schools has co-authored a paper in one of the 24 journals tracked by the ranking, which makes it more complete. Essentially, if a school is not listed in this ranking, this means that no faculty from that school have published in one of the top journals.

I also took a little older data because there is a lag in accounting for publications in the UT Dallas Research Ranking.

Analyzing the data, it turns out that the correlations between pedagogy and research are all positive:

Correlation with research output in top journals with:

1. Teaching methods and materials: **0.507**
2. Faculty quality: **0.568**
3. New skills and learning (relevance): **0.470**

Good news? Well, correlation is not causation, and these results should not be taken as a proof that rigorous research leads to impactful teaching. However, these numbers suggest at least that business schools can do both relatively well and don't have to choose between the pursuit of knowledge and pursuit of relevance in management teaching. It also makes the alternative story that articles in top journals have nothing to do with actual management issues less plausible. It seems that management research may be more than just debates between academics sitting in their ivory towers, while the real world outside does stuff. It looks like rigor and relevance can go together. At the end of the day, as someone once remarked, can you be truly relevant without being rigorous? ///

KEYS TAKEAWAYS

- The idea that scientific research in business academia can produce useful knowledge has its opponents, one major contention being that management research has little to do with management practice with little a true entrepreneur, manager, leader, etc. can learn from an article in one of the top management journals.

- This criticism extends to the authors of these articles as well and casts doubt on whether an entrepreneur, a manager, or a business leader learns anything useful from a management scholar.

- By looking at the relationship between the MBA rank and research rank for US versus European and Asian business schools as reported in the FT MBA ranking in 2001 and 2021, it is possible to find a correlation between the impact of teaching and research output.

- For US schools the relationship between MBA and research rank remains more or less the same between 2001 and 2021, whereas elsewhere, particularly in Europe, an increasing number of schools are moving towards the North American model in that period.

- By pairing ExecEd participant assessments of their training with UT Dallas research score per school, analysis of the data enables us to highlight that the correlations between pedagogy and research are all positive.

- These findings suggest at least that business schools can do both teaching and research relatively well and do not have to choose between the pursuit of knowledge and pursuit of relevance in management teaching.

- It also makes the alternative story that articles in top journals have nothing to do with actual management issues less plausible: rigor and relevance can go together.

CIRCULAR KNOWLEDGE MODELS: DESIGNING MENTOR PROGRAMS FOR IMPACT

Mentorship is a powerful tool to facilitate knowledge exchange, collaboration and community – but how do you go about developing and implementing it? **Laura McDermott,** Director of Academic Experience and Innovation at **IE Business School,** Adjunct Professor of Innovation and Design at **IE University,** and **Alexandra Zografou,** Manager of the MVDM Mentor Program at IE, share the highly successful IE experience.

> **Human-centered design is key to creating an engaging Mentor Program.**

Mentorship programs, if designed well, have a great, untapped potential far beyond professional networking building. In a world characterized by disruption and challenges on social, environmental and governance levels, there is an urgent need for 21st century talent to think holistically. By designing spaces that cultivate knowledge and perspective exchange, we create the opportunity for greater levels of collaboration and inclusion.

In our last article published in the December issue of *Global Voice* magazine, we looked at the history of mentorship and how it can – and has – been leveraged as a powerful tool to facilitate knowledge exchange, collaboration and community in organisations and in higher education. In this article we explore how the use of Human Centered Design and specifically Design Thinking can be used as the backbone to create impactful mentorship programs, far beyond surface-level networking.

CIRCULAR MODELS OF KNOWLEDGE-EXCHANGE FOR 21ST CENTURY LEADERSHIP

Unlike a traditional educational experience that relies on a linear structure of students enrolling, studying a degree and then graduating, the Mentor Program developed at IE creates a circular model of knowledge sharing and growth for both students and alumni, mentees and mentors.

As an institution that is home to more than 165 different student nationalities, IE creates a compelling space for diversity of thought and experience. When we talk about the present moment, the IEBS Mentor Program (formerly HST Mentor) provides ample support and space for individuals to grow and learn from others. It creates a constructive space where people from different backgrounds can come together and actively engage and question topics like the purpose of teamwork, the changing employment landscape, the differences between local and global cultures, future disruptive trends, and sustainable models of development. We would like to share with you how this mentorship model was developed, the challenges that surfaced and ways in which to transform your idea of a mentorship initiative into an effective, successful and continuously improving bringer of value.

OVERVIEW OF THE IE BUSINESS SCHOOL MENTOR PROGRAM

The IE Business School Mentor Program (formerly HST Mentor) was designed in late 2018 with the idea of connecting incoming students with previous generations, giving the latter the opportunity to contribute to the first's learning experience, and overall strengthening the sense of community among them.

The first Mentor Program was implemented in the Master in Customer Experience and Innovation (MCXI). From 2018 to 2019, the core academic design team started testing the concept through a ten-month pilot program with a few alumni who graduated from the program in July 2018.

During the pilot phase, six internal stakeholders actively participated in the project (not including the student mentees). Just three years later, the Mentor Program counts on 55+ internal stakeholders participating to varying degrees in the project, from academic and marketing teams to mentor faculties and program coordinators.

Since the beginning, the academic design team at IE has tracked the satisfaction levels of the students with the Mentor Program, and has received extraordinarily positive feedback. Several expanded and personal accounts from the experience of mentees, mentors and mentees-turned-mentors were published on the online IE magazine "Rewire" as well as being broadcasted through IE social media channels.

I've always believed in the power of a strong community. Getting closer to the university, faculty members, and current students makes us all stronger. Secondly, when I started my program, I was a bit lost in terms of professional paths I could take after the course. Talking about that with former students helped me understand things a bit better. Lastly, being in contact with students and preparing for our meetings serves as a refresher training session for me. It's a long-lasting learning process and I love it! — Erika Dias, MCXI Mentee-turned-mentor. [1]

1. Dias, E.: Erika Dias on the HST Mentor Program & the perks of unorthodox learning https://rewire.ie.edu/mentors-erika-gouvea-unorthodox-learning/

USING HUMAN-CENTERED DESIGN TO EMPATHISE WITH PARTICIPANTS' NEEDS

Launched in 2018, the design research and development of the program actually began in 2017 using Design Thinking and Applied Behavioural Design. To begin, several months of quantitative and qualitative research including interviews, observations, forms, data analysis was undertaken to enable the design team to empathise with the needs of the students from the MCXI program during their learning journey. This was similarly done with the alumni of the MCXI, in order to understand what value they could not only apport, but also derive from a Mentor Program.

Although mentorship is primarily focused on the development of the mentees, it can also assist the development of the mentor. During the process, the mentor can grow on a personal level, while the mentee receives advice, support, and knowledge from the mentor[1]. More specifically, mentors can master leadership skills, while mentees can benefit from socioemotional support[3].

Studying previously published works on the subject, we found suggestions that a mentorship program should be participant-specific and designed to match the needs, interests, and objectives of both parties[4]. At IE, we considered the use of Human Centered Design the most appropriate for uncovering and better understanding the needs of both mentors and mentees. After gathering observations and behavioural insights from the design research in the first year, a number of months were spent architecting a Mentor Program that would meet the needs of both parties.

2. Colvin, J. W., Ashman, M.: Credibility: What Role Does It Play in a Peer Mentoring Relationship?, in Mentoring in Higher Education - Case Studies of Peer Learning and Pedagogical Development, p. 56, Palgrave Macmillan, Cham, (2020)
3. Nimante, D., Baranova, S.: Student Mentoring in the Master Programme "Pedagogy": the case of University of Latvia, In: Proceedings of the 5th International Conference, p. 125. HEAd'19 (2019)
4. Burrell, B., Wood, S. J., Pikes T., Holliday, C.: Student Mentors and Protegés Learning Together, TEACHING Exceptional Children, 33(3), p. 25 (2001)

PILOT, TEST, ITERATE, DEVELOP

While the Master in CX and Innovation was the first to pilot and develop the Mentor Program, there have since been several other degrees from Bachelor and Master level launching their own Mentor Programs. In each case, the academic design team supports the Academic Directors of the degree in designing a model for the pilot version of the Mentor Program. This acts as a "minimal viable product" to test out if the timing, formatting and framing of the program makes sense for that particular Bachelor/Master.

After testing out a pilot of the Mentor Program for an average of nine months, feedback is gathered from mentors and mentees, which is then incorporated into the formal design of the Mentor Program the following year. Although the pilot phase is where the highest volume of researching, testing and experimentation is conducted, this iterative growth mindset is carried throughout the evolution of each individual Mentor Program.

Over time and with each iteration of the Mentor program, feedback is collected systematically and experiments are made for new activities and opportunities, all with the goal of ensuring that the program and its mentors stay in touch with the needs of the participants.
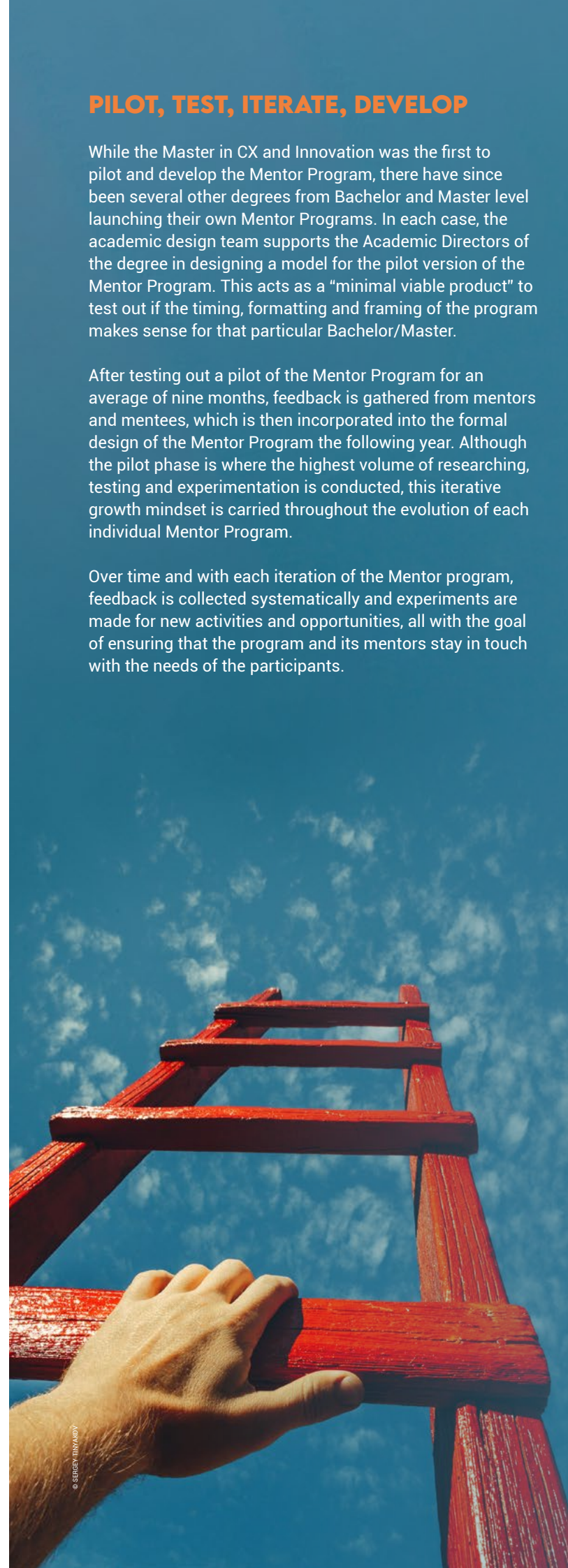
DESIGN MODELS THAT ANTICIPATE AND PREVENT THE COMMON CHALLENGES IN MENTOR PROGRAMS

To date, we count on seven different iterations of our Mentor Program across three different Bachelors and Masters, with more lined up for the coming years. Throughout these iterations we have taken a human centered approach in analysing not only the students and their satisfaction as mentees, but also the mentors. The mentors are the front-facing ambassadors of this program, who have direct contact with the mentees and greatly influence the mentee's experience during their learning experience. Some ways we anticipated and counteracted challenges related to the quality of interactions between mentors and mentees were as follows:

- From the start, outline clear expectations and desired outcomes for the mentees and mentors. For example, among our desired outcomes were:
- Students (mentees) Feel Supported: It is an opportunity for students to share any ideas or qualms with alumni. Since mentors have been through the experience before, they can empathize and provide encouragement and support, or simply offer an ear to listen.
- Mentors (alumni) develop their portfolio and employability: Mentors develop their portfolio and professional experience, while continuing to be an active part of the IE community. Through the use of Human-Centered Design, mentors strengthen their professional skills and leadership.
- Application Processes: a slightly longer online application process creates a first filter of "self-selection" and means that only those who are genuinely interested apply.
- Onboarding: In the onboarding process, user-friendly guidebooks and communications have been designed in a way to reinforce the key messages.
- Tracking: Monthly and/or quarterly reports in which mentors document their learnings, observations and conclusions also assist in building a sense of ownership and reflection among mentors.

Considering mentors have such an impactful role in the learning experience, we need to ensure that they are not only accountable, but also have the qualities necessary for the role. This is important to highlight since, in our experience, an excellent professional does not necessarily equate to an excellent mentor or coach. By creating the above activities, we are able to ensure that a strong quality of mentor-mentee relationship prevails.

It is our belief that human-centered design is key to creating an engaging Mentor Program and that the skills that can be cultivated in these spaces will be essential for future leaders. As we look ahead, we believe that companies and institutions will play an important part in designing these opportunities and should invest in human-centered principles to drive true, meaningful real impact for all stakeholders involved. **///**

KEYS TAKEAWAYS

- Human Centered Design and specifically Design Thinking can be used as the backbone to create impactful mentorship programs, far beyond surface-level networking.

- The Mentor Program developed at IE creates a circular model of knowledge sharing and growth for both students and alumni, mentees and mentors.

- A mentorship program should be participant-specific and designed to match the needs, interests, and objectives of both parties

- In the development stage, it is important to design a pilot version that acts as a "minimal viable product" to test out if the timing, formatting and framing of the Mentor program makes sense for a specific degree course/population.

- In the pilot and test phases, it is important to gather feedback from mentors and mentees, which is then incorporated into the formal design of the Mentor Program the following year.

- Iterative feedback is also key in continuously improving the program and ensuring that the program and its mentors stay in touch with the needs of the participants.

- Challenges for developers of Mentor Programs could include...

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DIGITAL TECHNOLOGIES: A KEY TO POST-PANDEMIC INCLUSIVE AND SUSTAINABLE EDUCATION

The COVID-19 pandemic has raised many concerns regarding the divides that prevent young people from accessing and completing their education. **Brian Kaitano,** BSc IT student at **Maseno University,** Kenya, focuses on both local and global lessons learnt from this and contends that inclusivity requires a revamp of the system and the support of digital technologies for it to be achieved.

Education is a fundamental human right. A good and relevant education system is essential for the realization of individual potential, global economic growth, social development and the fostering of global citizenship. With the severe and ongoing effects of the COVID-19 pandemic on global learning, this is the great moment that calls for urgency to revamp education and make it a more goal-oriented activity while fostering inclusivity and sustainability through digital technology.

Inclusive education proposes that all students are provided with equitable access to quality education within the context of the mainstream system and not in a segregated system – especially for marginalized groups consisting of people living with disabilities, indigenous groups, women, young persons, children and rural communities.

> "
> **The case for investing in education is undeniable since education is a fundamental human right.**

developing regulations for distance learning and efforts are ongoing to continue to expand the number of schools with access to the required digital learning tools. Countries are already taking steps by partnering and developing policies to build a dynamic and inclusive education for all. A good example is the Global Partnership for Education (GPE) whose mission is to transform education in lower-income countries to deliver quality education which is inclusive.

These initiatives have been successful but challenges still remain. Learning losses could translate into less access to higher education, lower labour market participation and lower future earnings.

URGENT NEED TO REVAMP THE GLOBAL EDUCATION SYSTEM

According to the Future of Jobs 2018 report, 75 million current jobs could be displaced by 2022 due to the shift in the division of labour between humans and machines (i.e. job automation), but 133 million new jobs will be created as well. Therefore, any debate on the future work should go hand-in-hand with a discussion of the future of global education curricula. It is essential for employers, educators and policy makers to work together and change the way we teach, employ and retrain people to empower them with new skills required in the future of work as economies of the future will be knowledge-driven.

Economies of the future will rise or fall depending more on their intellectual resources than their physical resources and the valuation of companies will depend more on human capital than physical capital. Here, education is at the centre of building human capital – one of the key drivers of productivity globally, and with beneficial socioeconomic outcomes. As such, education should be innovative and equally received in such a way that we advance the original methods of teaching and also introducing new methods of teaching while fostering inclusivity.

Lastly, historical analysis shows that inequality fuels unrest. And when educational inequality doubles, the probability of global conflict more than doubles. If inequality in education persists, the possibility for global prosperity and stability is very low.

INVESTING IN EDUCATION WILL INCREASE THE ACCUMULATION OF HUMAN CAPITAL IN SOCIETIES

The case for investing in education is undeniable since education is a fundamental human right. Revamping the global education system might cost more at the outset, but it will pay off in spades since growth in the global economy is heavily dependent on education, research and development. This has been proven through investment in schools and research programmes which in turn increase human capital – a major factor of productivity globally.

THE PANDEMIC HAS TAUGHT US MORE THAN WHAT WE HAVE LOST

UNESCO 2020 estimates that over 1.6 billion learners (94% of learner's population worldwide) were affected worldwide by the widespread school and university closures for a larger part of 2020 due to the COVID-19 pandemic. According to the UN, this will result in significant loss of learning globally and, as such, cause a "generational catastrophe".

Governments and learning institutions worldwide have reacted by implementing various measures – notably the use of digital technologies to promote the continuity of education from home during lockdowns to curb the spread of the virus. As such, educational TV and radio were seen to be the most important and effective technologies for sustaining learning for students at primary level and secondary levels given students' lack of digital skills – especially in the developing world. However, online learning via computers was seen as the most effective to learners at tertiary level since it requires digital skills and also offers a wide range of learning activities compared to TV and radio.

Many examples have been cited from the west, but successful initiatives during the pandemic can also be seen further afield. One such exemplar is Maseno University in Kenya. Maseno's efforts and contributions to the higher education sector was acknowledged by Kenya`s telecommunication giant Safaricom, leading to a partnership to offer subsidized e-learning tariffs to students and faculty in order to facilitate online classes.

On the other hand, the lack of access to digital technologies was considered to be the biggest barrier in enabling learning continuation during the COVID-19 pandemic together with school closures. Governments are tackling this challenge by

The global goal to bring the global absolute poverty rate to less than 3% by 2030 has been reversed by the pandemic and the World Bank estimates that climate change and the pandemic will drive about 80 million to 130 million people into poverty by 2030 under business-as-usual scenarios. However, UNESCO further estimates that 171 million people could be lifted out of extreme poverty if they have basic reading skills. Poverty threatens education but quality and inclusive education can also help end poverty.

HOW DIGITAL TECHNOLOGIES CAN FOSTER INCLUSIVE AND SUSTAINABLE EDUCATION

Digital technologies have a number of major arguments in their favour. They can contribute to inclusive education and the delivery of quality learning and teaching, as well as improved educational management, governance and administration – provided the right mix of policies, technologies and capacity are in place. ICTs can leverage education in the following ways:
• By improving students' interest in learning through resources such as videos and graphics.
• By promoting students' participatory attitude in classroom.
• By improving collaboration between students during projects and group discussions.
• And by personalisation and keeping learning contents up-to-date.

Digital technologies can also address inadequacies that have left parents and children with disabilities feeling neglected. They provide an opportunity for learners with special needs to excel in their areas of ability and interest without being

left out and those who find it difficult to attend schools can be reached through home-based programmes facilitated by digital technologies. Given this reassurance provided to parents and guardians, a positive spill-over would be an increase in enrollment around the world leading to a closing of the exclusion gap.

BRINGING IT ALL

Accelerated by the COVID-19 pandemic, the digital future is coming at us much faster than ever before. According to the Worldwide Educating for the Future Index (WEFFI), most countries` educational systems are not configured to equip the next generation with the skills they are most likely to need. This clearly shows the urgent need to revamp the global education system while fostering equity and efficiency. Without urgency to this matter, the costs of this learning crisis run the risk of undermining the fabric of our economies and societies. That is, leading to increasing unemployment, poverty, instability and inequality.

In order to build stronger education systems, governments will need to apply the use of digital technologies both new, and those that proved effective during COVID-19, and integrate them into the regular education system. This will involve the combination of high and low tech applications – laptops, tablets, radios, TVs, mobile phones, online platforms, printed handouts etc. – to help teachers better support learning. In addition, in order to manage a wide range of IT devices instructors need to be better equipped and this can be catered for by offering short training courses to improve their digital skills.

For global education reforms to be successful, good policy design, effective implementation capacity and strong multilateral cooperation are required. It is here that the international community can help – supporting such efforts with increased development assistance for education and digital infrastructure financed by multilateral development banks, philanthropic organizations, corporate social responsibility initiatives and – according to the World Bank – by the resources freed up by the debt relief initiatives. Digital technologies offer unique opportunities that could make up real difference in millions of people`s lives. ///

KEYS TAKEAWAYS

◻ UNESCO 2020 estimates that over 1.6 billion learners (94% of learner's population worldwide) were affected worldwide by the widespread school and university closures for a larger part of 2020 due to the COVID-19 pandemic.

◻ According to the UN, this will result in significant loss of learning globally and, as such, cause a "generational catastrophe".

◻ Historical analysis shows that inequality fuels unrest. And when educational inequality doubles, the probability of global conflict more than doubles.

◻ Digital technologies have a number of major arguments in their favour: Improving students' interest in learning through resources such as videos and graphics; promoting students' participatory attitude in classroom; improving collaboration between students during projects and group discussions; by personalisation and keeping learning contents up-to-date.

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◻ Funding for increased development assistance for education and digital infrastructure can be through multilateral development banks, philanthropic organizations, corporate social responsibility initiatives and – according to the World Bank – by the resources freed up by the debt relief initiatives.

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SUPERCHARGING SUSTAINABLE SUPPLY CHAIN PERFORMANCE WITH CIRCULAR ECONOMY

The circular economy is a key topic in the manufacturing industry, one which in recent years has gained importance among companies and policymakers alike. Against the backdrop of Scotland and Brazil, Professors **Susana Carla Farias Pereira, FGV-EAESP, Simone Sehnem, UNOESC,** and their fellow researchers put the spotlight on the critical success factors for the circular economy journey and the role of management in dealing with these factors.

Related research: Improving sustainable supply chains performance through operational excellence: circular economy approach, Science Direct, Elsevier

> " The circular economy ultimately aims to establish a new socioeconomic paradigm.

Think about your last big purchase. Perhaps it was a super-slick smartphone or an ultra-high-definition television, or some rustic furniture to give your home a new chic look that you wanted. In all probability, these were bought as replacements for previous possessions. So where does all the old stuff go? Possibly in a landfill far, far away.

Take, make, consume, and throw. Since the dawn of the Industrial Revolution, the world's supply chains have largely been immersed in a linear model where raw materials are taken and transformed into products before being used and discarded. More than 90% of the economy still works this way today. Waste is the end point, the full stop. And this trash ends up in undesirable places, polluting the environment, threatening the ecosystems, and worsening the risks and effects of climate change.

Wait, the bad news does not stop there. Our planet's resources are finite, and its ability to absorb the waste we generate is decreasing drastically year after year.

DILUTING THE TOXIC COCKTAIL OF NEGATIVE CONSEQUENCES

But here is the good news: we can do better, and we have already started the transition from a profit-dictated, unsustainable, throwaway economy to a new system that works for both people and planet while bringing concrete benefits for businesses too. With the growing focus on sustainability and environment concerns, almost half of the world's top 100 companies have already adopted a concept that aims to ensure that the materials used by them remain constantly in use. Therein lies the beauty of the circular economy – we stop waste being produced in the first place.

The circular economy holds tons of promise. Businesses can break free from linear thinking and start incorporating sustainability in their supply chains by understanding and adopting the circular economy model. But this operational excellence approach demands some solid groundwork and a sound footing to function effectively. What would that be, you may wonder?

BARELY-EXPLORED TER-RAINS

The answer is sustainable operations. They are essential for the creation of circular economy-based production systems and focus on topics such as detailed assessment of facility compliance, resource usage and performance, and potential effects on the environment and health, just to name a few.
Once those are in place, the circular economy can do wonders and enable upscaling to broader sustainable supply chain performance – a topic of great interest to Prof. Sehnem and her colleagues.

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And so, the researchers climb aboard the 'Upper Echelons Theory' ship and venture into unchartered waters in an effort to examine and improve the performance of sustainable supply chains through circular economy approaches. In addition, they specifically compare the situation in both developed (Scotland) and emerging (Brazil) economies, identifying specificities and nuances within each of these contexts. But before we delve into the details of this investigation, the aforementioned concepts of circular economy and Upper Echelons Theory need to be grasped.

DECOUPLED

The circular economy ultimately aims to establish a new socioeconomic paradigm. It seeks to increase the circularity of resources in the production chain. That means products, materials and resources are kept in circulation for as long as possible. This approach aims to change social and economic dynamics, dissociating economic growth from the depletion of natural resources and environmental degradation.

A TALE OF TWO PARTS

Two types of cycles exist in the circular economy – biological and technical – based on the type of material that they regenerate, living or non-living. Biological cycles aim to regenerate ecosystems by reducing excessive extraction of natural resources, using renewable materials, and reusing energy and organic waste by means of processes such as composting. Technical cycles, on the other hand, recover and restore products through a hierarchy of circular strategies, including collection, sharing, maintaining, prolonging, reuse, refurbishment, remanufacturing, and recycling.

NOT A WALK IN THE PARK

Several trade-offs are required in the process of transitioning to the circular economy. Alignment of multiple goals and negotiation with various stakeholders represent challenges and may generate tensions in the process of migration to a circular business model, as do guarantees of funding, the presence of leaders willing to engage with such initiatives, and the need to learn from experience.

Also critical to the circular economy journey are technological elements. The implementation of the circular economy requires the design of products from a circular economy perspective, taking into consideration aspects such as sustainable design, the possibility of recycling or remanufacturing and a sustainable business model.

According to Katie Treggiden, author of Wasted (2020), up to 80 percent of a product's environmental impact is baked in at the design stage. Designers have the power to change how things are made and what they are made of. Yet, an emphasis on sustainable design strategies is viewed as a bottleneck in circular economy implementation.

Additionally, in order to develop circular economy practices, there is a need to invest in industrial synergies through industrial symbiosis, an approach whereby a waste product in one industry is turned into a resource for use in one or more other industries. Critical to the success of this process are issues of technical, economic, and legal viability, i.e., functionality, convenience, and authorisation.

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Other aspects are the lack of collaboration between different companies and supply networks, resistance to sharing data on internal waste streams and the lack of communication, authority, and leadership from managers. In other words, when measures only have a significant impact in the long term, they do not appear attractive from a short-term perspective. There is also a need for regulation to evolve, through laws and legal guidelines that support the circular economy and motivate the development of circular industrial processes.

A PERSONALISED LENS

The central idea of Upper Echelons Theory is that experiences, values, and personalities of executives greatly influence their interpretation of the strategic situations they face and, in turn, affect their choices. For example, a chief executive's background in operations may lead to his or her pursuit of a cost reduction strategy. By the same token, there could be a link between a chief executive's long service in a particular industry and his or her hesitation to diversify from that industry. As such, to understand why organisations do the things they do, or why they perform the way they do, the traits of their most powerful actors – their top executives – must be considered.

Now that we have delved into the details of the circular economy and Upper Echelons Theory, it is time to head off and direct our attention to the results of the probe conducted by Prof. Sehnem and her co-researchers on four pivotal firms in their respective supply chains – two from Brazil and two from Scotland.

OUT IN THE OPEN

As previously indicated, the circular economy journey tends towards innovation, necessitating new business models for sustainability, and this innovative aspect of the circular economy often encounters internal organisational barriers. Identifying critical success factors within the circular economy journey is important in order to encourage organisations to prioritise resources and adjust their management and, in turn, achieve the adoption of circular economy principles.

The key ingredients for the 'winning' circular economy recipe are presented in the following list.
• Stakeholders' belief in the idea of the circular economy
• Perception that customers are not paying for sustainability
• Need for engagement of different stakeholders
• Technological innovations appropriate to the production chain
• Reduction of asymmetries in the knowledge level of employees
• Creation of a sustainable organisational culture
• Recognition that it is difficult to change people's behavior, especially employees and consumers
• Reduction of technological asymmetries in the supply chain
• Reduction of employee turnover
• Dealing with increasing market pressure
• People's need to see results to believe in the idea of a sustainable world.

Companies that are more proactive – those with highest adoption of technical and biological circular economy cycles – towards the circular economy also demonstrate better management of these critical success factors. In addition, those that are most proactive in terms of the circular economy

tend to have top management who are more supportive of sustainability. The exemplary case of these results is a company from Scotland that works in sugar cane production.

The firm has the highest levels in terms of taking advantage of the technical and biological cycles of the circular economy, and is also the company with the highest level of well-managed critical success factors among the companies studied. At the same time, its upper echelons represent the management who know the most about sustainability and the circular economy. For example, the founder has wide knowledge of sustainable business models and the circularity of resources. Additionally, the company's upper echelons also present the most significant ambitions regarding the creation of a sustainable win-win context for doing business. They are aware of the regulations, constraints, and opportunities regarding operating a company in a circular economy context.

Along similar lines, firms that are less proactive in terms of the circular economy tend to face greater challenges and tensions due to unmanaged critical success factors. And companies with a less strategic approach to the circular economy and its critical success factors will also have less supportive senior management.

The findings of the research also suggest that the creation of a sustainable organisational culture is a critical factor for succeeding in circular economy implementation. Once again, the aforementioned company scores, being the only company able to manage this factor.

AND THEN SOME

Executives' experience is not necessarily pivotal in making intelligent decisions regarding the circular economy. Instead, senior managers' level of sustainability awareness and formal education on the topic are important to their managerial approach towards the circular economy. For example, it is clear that the most proactive firm has a young manager in charge of sustainability management. This manager is a recent graduate, and has been in contact with curricula that include sustainability at their core.

Further, it is clear in the Scottish cases that institutional factors – regulatory and cultural context, for instance – are key to shaping managers' perceptions of sustainability. Even in the case of the second Scottish firm which did not show a high level of proactivity towards the circular economy, the company would not have achieved its partial proactivity if it operated in a less sustainable national environment.

Finally, the managers of all four companies highlighted the following lessons as 'must-know' points to move sustainable production systems forward, and the concept of circular economy.
• The importance of engaging employees in sustainable initiatives
• A genuine belief in sustainability
• The relevant role played by the government

Now that we have such important insights into the maturity level of circular economy adoption, the critical success factors for sustainability, and the influence of selected characteristics of firms' upper echelons in promoting the circular economy, how can we put this information to good use?

WHERE DO WE START?

The main findings of Prof. Sehnem and her co-researchers prove to be useful for both managers and sustainability-related policy makers.

To begin with, companies can be positioned at different maturity levels in terms of the circular economy. So, it is important both for managers and policy makers to understand their firm's current circular economy level and, based on this, plan how to achieve proactivity.
For another, companies which want to advance towards circular economy proactivity should pay attention to properly managing critical success factors, in particular, the creation of a sustainable organisational culture.

In addition, characteristics of a company's upper echelons, such as formal sustainability education and understanding of circular economy principles by senior managers, constitute key elements of successful cases of circular economy implementation.

Lastly, for policy makers, the crucial aspect is creating an ideal setting for companies to achieve proactivity in managing circular economy practices.

GET THE BALL ROLLING

Attention to critical success factors can contribute to increasing a company's competitive advantage, create a difference in its sector of operation and generate a better fit between the practices adopted and circular economy performance, all of which will positively affect the company's performance. When a growing number of businesses come together in this effort, imagine the pressure it will take off our planet.

How we use resources has transformed our economy and society in the past. Resilient supply chains powered by the circular economy offers us a chance to deliver sustainable benefits for the future. Let us not waste any opportunity to fix our environmental woes. It is time to support 'take, make, use, reuse' all the way and elevate sustainable supply chains' performance to the next level. Will your company be among the ones to take the leap? ///

KEYS TAKEAWAYS

- Sustainable supply chain performance can be improved through circular economy approaches.

- The circular economy is a way to decouple economic activity from the consumption of finite resources.

- Upper echelons theory is the idea that top executives view their situations through their own highly personalised lenses.

- By applying certain characteristics of Upper Echelons Theory in the context of the circular economy, the researchers analyse critical success factors for the adoption of the circular economy using focal companies selected from both emerging (Brazil) and mature (Scotland) economies.

- Companies that are more proactive towards the circular economy also display better management of critical success factors.

- Among the critical success factors which urgently need to be better managed, organisational culture demand the greatest attention and further proactivity from senior managers.

- Firms' upper echelons play a key role in promoting circular economy proactivity.

- Certain top management characteristics, such as formal sustainability education and understanding of circular economy principles, are relevant to the adoption of circular economy initiatives.

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GETTING NET ZERO RIGHT

Concerns as to the ultimate efficacy of net zero targets are fully justified. Pressures from near-term action and commitments to reach the Paris Agreement require companies and investors to target 2030 or sooner. They must do so by using robust, science-based guidelines. **Ksapa** CEO **Farid Baddache** considers to what extent Net Zero approaches can be a credible lever to build carbon-constrained economies.

With kind acknowledgements to **Ksapa.** First published via the **Ksapa blog** under the title Can Net Zero Approaches Frame Climate-Constrained Economies?

> **Net Zero offers a framework to accelerate transformations and adapt to a climate-constrained world.**

NET ZERO PLEDGES: *THE NEW NORMAL?*

In April 2021, the latest industry-led and UN-convened Net-Zero Banking Alliance brought together 43 banks from 23 countries with US$28.5 trillion in assets. Together, they committed to align their lending and investment portfolios with a net-zero emissions goal by 2050. This is just another of many Net Zero initiatives issued in the past two years. Federal and state governments in the US have various long-term net zero emissions commitments. Around two thirds of the global GDP are now covered by targets of some sort.

Businesses and investors swiftly followed suit. Over 2,100 of the world's largest corporates have Net Zero goals under the UN-backed Race to Zero campaign. Meanwhile, asset managers and owners worth trillions of dollars pledged to deliver Net Zero emission portfolios before 2050. These goals helped trigger billions of dollars of investment in low carbon infrastructure and innovation. It also enabled an entire new ecosystem of activists, academics, regulators, investors, politicians and business executives working round the clock to translate long-term net zero ambitions into credible near-term decarbonisation strategies.

SOUND REASONS FOR HOPE

Following the Paris Agreement, scientists mainstreamed the notion we should strive not just for a 2°C global warming scenario, but set our sights on 1,5°C. That way, we would collectively *"achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century".*
These goals eventually unleashed one of the fastest and most consequential corporate trends since the first Industrial Revolution.

The Biden Administration is well on its way to develop "jobs, jobs, jobs" for the American worker. The fact its approach onboards climate is the ultimate victory for one of the most successful environmental campaigns in history.

FIERCE CRITICISM FROM CLIMATE ACTIVISTS

A growing number of influential climate activists and scientists have however shared strong criticism of these Net Zero approaches.
Not a day goes by where my Twitter account does not showcase new blocking Net Zero commitments. A trend systematically met with an onslaught of criticism. But why do climate activists equate so many net zero commitments to greenwashing? Just what does "real zero" really mean? For Greta Thunberg, "net zero targets" are "being used as excuses to postpone real action". The proof Is in the pudding, it seems, with much of the criticism around Net Zero strategies is entirely justified, for at least 3 reasons:

1. CLIMATE SCIENCE IS CRISTAL CLEAR
We need our economies to become "net zero" well before 2050. That turning point must be secured between 2030 and 2035 to significantly curb GHG emissions and stay as close as possible to a 1,5°C global warming trajectory. In that regard, the Paris Agreement was a diplomatic process, which settled on the year 2050 to placate all stakeholders.

Six years after the historic COP21, we are closer to a 3°C global warming trajectory. As such, any Net Zero target that does not contribute to this momentous drive in the coming decade is downright misleading.

2. ACCOUNTABILITY AND PUTTING SKIN IN THE GAME MATTER
Most decision-makers who issue 2040 pledges today will doubtlessly have retired by then. Working closely with various Fortune 500 business and large investors on their climate strategies, Ksapa cannot emphasize enough how little we know about the technologies or mergers/acquisitions that will frame our collective climate environment beyond the next 5 years.

The publishing business, for instance, heavily invested in decarbonizing printing factories as early as the 2010's. The following decade saw a majority of business-themed books turn massively to e-book format. Sure, the resulting carbon footprint changed dramatically: it was transferred from printers to servers.

3. THE DEVIL IS IN THE DETAIL
There can be no sound Net Zero strategy that does not work hard to decouple the underpinning business and value creation models from resources consumption in an increasingly climate-constrained world. Should Net Zero strategies avoid difficult choices and leave radical transformations up to the next generation of decision-makers, then they would not serve their company. Much less the climate cause.
Moving targets all too often backed by weak strategies Criticisms generally point to the concern Net Zero strategies are only designed to perpetuate business as usual. In other words, that they issued tepid targets and poorly defined pathways, without offering greater clarity as to what needs to be done to achieve net neutrality and when. After all, Germany unilaterally decided in May 2021 to move its net zero

roadmap forward to 2045. That is no less than 5 years ahead of the European Union's declared target.
Such decisions lend themselves to another vein of criticism, given that moving targets hurt the robustness of the overarching net neutrality plans. The likes of Carbon Tracker and CDP have repeatedly criticized many of the world's leading carbon-intensive corporations and investors' Net Zero pledges. Deeply flawed, they are indeed not backed by credible strategies to wind down our fossil fuel infrastructure. Nor do they pivot towards clean technologies fast enough.

UPHOLDING CREDIBLE NET ZERO APPROACHES

That said, there are 3 good reasons why we should not throw the baby out with the bath water:

1. **Inertia.** Anyone (like myself) who will have spent a significant amount of time working alongside large industrial facilities can understand they cannot just switch and decarbonize within a few months. The idea they can may sound great, but in actuality, key activities need time to absorb transformations.

2. **Cognitive Dissonance.** Let's all remember that we all lead carbon-intensive lives. It is easy enough to blame carbon emitters. The truth is we can (and should) all work towards carbon neutrality. At least, the private sector is issuing public commitments in this space.

3. **Internal alignment.** Net Zero strategies entail a journey more than anything else. Moving targets and insufficient strategies are not necessarily a problem so long as companies commit to explore, implement, learn and improve. The more climate strategies are submitted to a process of trial-and-error and continuous learning, the more attuned they will be to the pressures of their immediate environment. Only then may they accelerate progress against their Net Zero goals.

NET ZERO MIGHT JUST BE THE START

The architects of the Paris Agreement and the numerous businesses around the world striving to transform themselves have been working hard to develop a constructive framework. They have in fact enabled stakeholders to understand how to make progress towards fully decarbonized operations and be mindful of uncertainties and resistances along the way.

The bulk of the global auto industry has, for instance, publicly committed to electrifying their products. Renewables are the default source of energy in a majority of markets around the world. National climate laws are increasing pressure across markets. Prior to the Covid-19 crisis, teenagers would take their demands for climate action to the streets every Friday. Billions of liquidities are flowing to support innovation and decarbonize infrastructures across the US and Europe. Net Zero is merely a drop in a necessarily larger sea of change.

TRUSTING THE SCIENCE BEHIND NET ZERO STRATEGIES

Net Zero approaches are, after all, scientifically sound. If you want to curb global warming, you need to stop the rise of GHG concentrations in the atmosphere.

To do that, you need to balance GHG emissions into the atmosphere and their absorption out of the atmosphere. If you want to lower temperatures back to pre-industrial levels, you need your absorption rates to be higher than your emissions rates. That way, you deliver on net negative pledges, or 'beyond zero' emissions. It really is that simple.

One could argue that balance can only be achieved by halting anthropogenic GHG emissions altogether – that is, 'real zero'. There are however inevitable emissions linked to agriculture, for example. The technical difficulty of fully decarbonizing a large number of critical industrial practices (transportation, food, housing, etc.) is also huge. To say nothing of operating the necessary transformations within the appointed timeframes. As such, 'real zero' targets tread a fine line between the implausible and the impossible.

We can (and must) instead argue that GHG absorption is feasible. We are still in a position to determine how all-encompassing the 'net' in Net Zero can be. The reason is, the overarching concept is scientifically sound.
Getting net zero right
The governance architecture behind Net Zero targets is constantly improving. For example, the Institutional Investors Group on Climate Change (IIGCC) recently published a detailed framework setting out how investors may develop Net Zero portfolio strategies and deliver real-world emissions reductions.

The Race to Zero campaign strengthened its criteria earlier in 2021, ahead of COP26. Companies that signed up for the campaign now need to clarify robust interim targets, launch immediate action to cut emissions and leverage carbon sinks only to address residual emissions.

3 QUESTIONS TO STRUCTURE SUBSTANTIVE NET ZERO STRATEGIES

Addressing 3 simple questions can help us all design credible Net Zero approaches:

1. Work beyond the Paris Agreement
Do not hide behind the Paris Agreement to align with the general consensus it achieved. Work on decarbonisation primarily because you understand how urgent it is for your business and assets to quickly move away from carbon. Because you know uncertainties linked to climate change will only become more difficult to manage. 2050 is too far away for any of us to get their head around. Set robust targets for dramatic transformation by 2030... 2035 at the latest.

2. Clarify hotspots
What constitutes 'unavoidable' or 'residual' emissions? What amounts to a 'credible' carbon offset or sink? Only once it has established these definitions can a firm decide which activities should aim for net zero emissions and which will have to be fully decarbonized.
A good way not to undermine the Net Zero concept is to develop greater clarity all around, through renewed stakeholder engagement. Once they reach consensus around coherent decarbonisation plans, organizations will be set on a good pathway to building sound Net Zero strategies. Having achieved alignment on just what is unavoidable versus what is residual, companies will be in a position to credibly explore offsetting and sequestration.

3. Commit to Revisiting Net Zero Targets and Strategies Every 3 Years
Yes, every 3 years. This is a fast-changing landscape. The regulatory landscape is rapidly evolving. Investors are accelerating their decarbonisation efforts. Technologies and financial solutions offer new opportunities every year, allowing Ksapa to leverage working capital to amplify energy transition programs throughout corporate value chains.
Given our rising sense of urgency and external market pressures, internal alignment efforts will very likely open onto even more ambitious climate transformations.

Net Zero offers a framework to accelerate transformations and adapt to a climate-constrained world. Its critics, though justified, should not underestimate the complexity and inertia of our whole system. We have offered 3 easily approachable tips to make Net Zero a tool for progress rather than a source of anger. Climate solutions call for emulation much more than sarcastic critics. ///

KEYS TAKEAWAYS

▫ Many Net Zero initiatives have been issued in the past two years by governments and around two thirds of the global GDP are now covered by targets of some sort.

▫ Over 2,100 of the world's largest corporates have Net Zero goals under the UN-backed Race to Zero campaign. And asset managers and owners worth trillions of dollars pledged to deliver Net Zero emission portfolios before 2050.

▫ Criticisms generally point to the concern Net Zero strategies are only designed to perpetuate business as usual with tepid targets and poorly defined pathways or non-credible strategies to wind down our fossil fuel infrastructure.

▫ Net Zero approaches are, however, scientifically sound. If you want to curb global warming, you need to stop the rise of GHG concentrations in the atmosphere.

▫ To do that, you need to balance GHG emissions into the atmosphere and their absorption out of the atmosphere. If you want to lower temperatures back to pre-industrial levels, you need your absorption rates to be higher than your emissions rates.

▫ The governance architecture behind Net Zero targets is constantly improving. For example, the Institutional Investors Group on Climate Change (IIGCC) recently published a detailed framework setting out how investors may develop Net Zero portfolio strategies and deliver real-world emissions reductions.

▫ Addressing 3 simple questions can help us all design credible Net Zero approaches: Work beyond the Paris Agreement; Clarify hotspots; Commit to Revisiting Net Zero Targets and Strategies Every 3 Years.

ksapa

Ksapa.org is a mission-driven company.

We focus on sustainability, specifically impact measurement, global development, digital technologies and due diligence.

WE ADVISE WE INVEST WE ADVOCATE

Our teams deliver sustainability consulting, impact investment solutions and advocacy services.

Together, we developed a reference platform to help businesses and investors embed climate change, circularity and Human Rights across their decision-making processes.

To that end, we at Ksapa have developed a global community of experts based across Europe, Africa, Asia, North and South America.

Visit our website at www.ksapa.org

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HOW CAN SUPPLY CHAIN EMISSIONS BE REDUCED?

In the aftermath of COP26, many companies pledged to reduce carbon emissions. Many too overlooked the importance of tackling their supply chains. **Frederik Dahlmann,** Professor of Strategy and Sustainability at **Warwick Business School,** explores how they can set this right.

With kind acknowledgements to COREInsights at Warwick Business School. **Related research:** Dahlmann, F., Stubbs, W., Griggs, D. and Morrell, K. (2019) "Corporate actors, the UN sustainable development goals and earth system governance: a research agenda", *Anthropocene Review,* 6, 1-2, 167-176; Dahlmann, F. and Röhrich, J. K. (2019) "Sustainable supply chain management and partner engagement to manage climate change information", *Business Strategy and the Environment.*

COP26 has sparked many companies into announcing plans to reduce their carbon emissions, but what many are not doing is including their supply chain.

This is bad news for the environment, as supply chains contribute significantly to a firm's carbon footprint and can amount to as much as four times the organisation's own operational emissions. In fact, the Carbon Disclosure Project (CDP) – a charity running the global disclosure system on carbon emissions for investors and other interested parties – found just 36 per cent of companies responding to its annual survey are engaging with their suppliers.

> **With the youth of today engaged as never before in the climate change political battle, sustainability will be the issue of this generation.**

The Council on Business & Society /// MANAGEMENT & LEADERSHIP

This is disturbing on two fronts. More and more regulators around the world now require publicly listed companies to include measurements of their greenhouse gas (GHG) emissions in their annual reports, including the UK, which introduced 'streamlined energy and carbon reporting' in 2019, and this includes supply chains.

Moreover, it is increasingly important firms engage with their supply chain on working collectively to reduce carbon emissions. COP26 has highlighted the urgency for action to reduce the impact of rising global temperatures and climate change, with campaigners like Greta Thunberg and public pressure building on firms to not just use their carbon reduction action as good PR, but to lead society in the move towards a sustainable future.

TALK TO YOUR SUPPLY CHAIN

By analysing the CDP annual survey from 2014 to 2017, my research partner Jens Roehrich, of the University of Bath, and I found 1,686 listed companies from all over the world that are actively collecting environmental data and engaging with their supply chain – and that refers to customers and suppliers. Indeed, of those, 28 per cent only engage with their customers and 21 per cent just with their suppliers, while the rest talk to both ends of the chain.

Although two thirds of firms are not doing any of this, we can at least see that engaging with your supply chain is on the rise, with the number of firms talking to some or all of their supply chain increasing by 57 per cent in the three years we looked at.

We were able to categorise the firms into three levels of activity with their supply chain – basic, transactional and collaborative. And it is at the collaborative stage where we see the most comprehensive approach to managing supply chain partners and customers.

FIRST STEPS FOR FIRMS

The basic level sees companies typically send their suppliers a survey to fill in on their emissions. US software firm Symantec produces an annual report on its suppliers' GHG emissions, while Bank of America has done a CDP supply chain survey since 2009.

This is the first step for a comprehensive carbon reduction plan, measuring and collating data. Perhaps tellingly, responses from firms engaging in only basic engagement were relatively shorter in length and qualitatively less detailed.

More advanced firms, at the transactional and collaborative levels, are using that data for more productive means. At the transactional level firms are calculating their carbon footprint and identifying opportunities for improvements. Those with more experience in this area are then using the data to provide their supply chain with targets and incentives.

Virgin Atlantic Airways, for example, aims for reductions in emissions from its supply chain each year, while nuclear power firm Exelon sets goals for its suppliers to reduce energy usage and GHG emissions.

HOW TO USE DATA TO REDUCE GREENHOUSE GAS EMISSIONS

This data is also being used to develop 'key performance indicators' that can be utilised to select a supplier or worked into contracts to assess a supplier's performance. They can then send warnings to companies who are not hitting the required performance levels and demand improvements, so the emissions data is becoming part of their selection criteria for suppliers.

For instance, pharma giant Pfizer reported that the aim of its data collection is "to provide benchmarking to suppliers regarding their GHG emission reduction and water conservation programmes, in order to identify sustainability improvement opportunities".

At the collaborative level, though, firms are working with their suppliers to develop shared goals and values around sustainability. This means more meetings, seminars on best practice, phone calls, emails and even the establishment of online discussion groups as firms and suppliers build mutually beneficial relationships designed to develop innovations to reduce their carbon footprint as well as encourage greener products and services.

And the discussions and information is built into supportive supplier training and development courses, briefings, summits and even award ceremonies to identify joint development and innovation projects.

Food multinational Kellogg's has built a Sustainability Consortium with its supply chain to "drive scientific research and the development of standards and information technology tools to enhance the ability to understand and address the environmental, social and economic implications of products". And InterContinental Hotels Group is working with the International Tourism Partnership to reduce the environmental impact of the cotton used in its bed linen.

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ALL PART OF A SYSTEM

Firms at the collaborative level also seek to engage customers and consumers, persuading them through marketing and PR of the benefits of new, greener products and how to use them in a way that is less harmful on the environment.

In the B2B sphere two-way engagement with customers is used, with a more proactive and strategic approach on show. Chemicals giant Ecolab partners with its customers to reduce their energy demands and GHG emissions through innovations.

There are also partnerships with industry associations and university research teams, with French hospitality firm Sodexo funding a Professor of Sustainable Sourcing at the Euromed School of Management in Marseilles.
We found that some firms are able to employ transactional and collaborative modes of engagement simultaneously with different suppliers and customers.
If firms are having to report all their emissions, from the supply chain to the customer, then what each one does affects the other, which makes the collaborative approach increasingly important. Companies need to understand that they are all part of a system that has to work together, rather than use it as another supply chain management tool.

HOW SUPPLY CHAINS NEED TO WORK AS A SYSTEM TO REDUCE EMISSIONS

When you look at the life cycle of a product, such as a plastic travel mug, there are the raw materials – which needed energy in order to be extracted – while more energy is used in the production. Then at the end of the mug's life, what happens to it? Does it end up in a landfill site? Should that be included in the measurement of each company's carbon footprint and how is that measured? Working with the whole supply chain, both customers and suppliers, will help solve these problems and ultimately bring down emissions for all firms along the value chain.

To do it across the whole value chain can be incredibly complex for a company like Walmart and the amount of data involved is probably why we are seeing tech companies leading the way in reducing their carbon footprint. Their data analytics skills mean it is natural for them to not only collate data but to put it to good use and work up and down the supply chain.

Their experience of handling and managing data also means they see this trend and increasing requirement to record and measure emissions for companies as an opportunity. If they figure out and produce a comprehensive software package that does all this effectively, they can then sell that platform to other firms looking to manage their whole carbon footprint. Verizon, for example, now sees its Internet of Things products, designed to reduce carbon emissions, as "providing significant revenue opportunities".

It is clear, with the youth of today engaged as never before in the climate change political battle, that sustainability will be the issue of this generation. If businesses are to prosper in this climate they need to include their whole supply chain to claim they are truly on the planet's side and not be accused of creative carbon accounting. ///

KEYS TAKEAWAYS

▫ COP26 has sparked many companies into announcing plans to reduce their carbon emissions, but what many are not doing is including their supply chain.

▫ COP26 has highlighted the urgency for action to reduce the impact of rising global temperatures and climate change, with campaigners like Greta Thunberg and public pressure building on firms to move towards a sustainable future.

▫ Engaging with your supply chain is on the rise: 1,686 listed companies from all over the world are actively collecting environmental data and engaging with their supply chain customers and suppliers.

▫ The basic level sees companies typically send their suppliers a survey to fill in on their emissions. More advanced firms are using that data for more productive means. At the transactional level firms are calculating their carbon footprint and identifying opportunities for improvements.

▫ Those with more experience in this area are then using the data to provide their supply chain with targets and incentives.

▫ Firms at the collaborative level also seek to engage customers and consumers and establish industry-university research teams.

▫ Sustainability will be the issue of this generation. If businesses are to prosper in this climate they need to include their whole supply chain to claim they are truly on the planet's side.

IN WORD AND DEED: EXPLORING THE WILLINGNESS OF SHAREHOLDERS TO PAY FOR DISCLOSURE

> " **The appreciation of information disclosure can vary across industries.**

As a potential investor, what type of information about a company would you look for? Balance sheet, P&L, cash flow statement... or anything beyond plain figures? Professor **Charles Cho, Schulich School of Business, York University Canada,** and colleagues discuss if shareholders are actually willing to open their wallets to access different types of corporate information.

STRATEGIC SHIFT

Just a couple of decades ago, words such as 'ESG statement', 'integrated reporting' or 'social accounting' sounded like something new and exciting. Companies that implemented these practices were seen as ambitious and innovative. Now, after not so long, sustainability reporting is neither innovation nor surprise. The Triple Bottom Line (People, Profit, Planet) has become an omnipresent element in corporate strategic reports worldwide. Shareholders, employees, consumers, society-at-large – all groups of stakeholders keep a close eye on what a company is doing in order to achieve largely discussed sustainable development goals. The bigger the company, the higher the stakes.

Focusing on a particular group of stakeholders – namely shareholders – what about their willingness to access various types of corporate information before making an investment decision? The fact that shareholders are really interested in financial disclosure leaves no doubt. Any rational investor wants to make sure that the company will not go bust too soon. Shareholders therefore invest time and effort into getting the most accurate financial information, especially when it is not publicly available or available only to a limited extent. Alongside that, in view of increased global challenges, shareholders are becoming more and more interested in non-financial information. Sustainability reports are now a good sign that a company's goals lie beyond short-term profits.

TRADE-OFF DILEMMA

Previous studies confirm that the vast majority (72%) of shareholders view environmental information as a tool for investment decision-making. Some shareholders even support the idea to make such disclosures compulsory. However, investors' interest in non-financial disclosure tend to rapidly fade away when confronted with the necessity to dip into their pocket.

While it is easy to accuse such investors of hypocrisy, it is necessary to keep in mind their financial interest. Regardless of the type of the investment, it is always aimed at gaining returns. On the one hand, shareholders can accept lower returns from companies with more disclosures. Financial disclosure allows for a better predictability of cash flows, but non-financial disclosure may just as well influence investment returns. For instance, a B-Corp status can increase the firm's value among customers and boost sales. Therefore, accepting lower returns in exchange for higher level of disclosure works for both financial and non-financial information.

On the other hand, revealing various types of corporate information might be very costly. A firm that spends huge resources on providing detailed ESG reports, is likely to offer significantly lower returns. If these returns are too low, investors will also decrease the share price that they are ready to pay. Responsible investment is still investment, so it implies trade-offs – otherwise it is called philanthropy. As such, there must be a point where shareholders agree to pay the same amount for the shares of both companies – with little disclosure, but higher return and with more disclosure, but less return. However, shareholders are expected to pay more for a company that discloses higher than the average level of value-relevant information.

UNVEILING THE COVER

In the context of rising global issues, neglecting a firm's social and environmental performance is viewed as bad manners. The research based on 700+ responses from actual investors reveals that shareholders are indeed interested in more than the minimum level of environmental disclosure and are ready to pay for it. Similarly, they are interested in financial disclosure. At the same time the results of the research demonstrate that shareholders are not willing to pay for social disclosure. This interesting finding once again brings up the heated discussion about the fake image of a 'socially conscious' investor.

Moreover, shareholders are not equally interested in above-the-average level of financial and non-financial disclosure. They give more importance to above-the-average disclosure of financial data rather than environmental or social. Such a conclusion raises the question as to whether compliance with the minimum ESG criteria has become a formal obligation. With no additional effort to promote social and environmental disclosure, it might actually mean that a great number of these 'responsible future leaders' are not as responsible as they make you believe.

In support of shareholders, the affirmation that financial information is always preferable to non-financial information is not the ultimate truth. The appreciation of information disclosure can vary across industries. Also, it is still true that financial information is of great value to shareholders, it seems that some of them are ready to look beyond profit margins.

It could make sense to suggest that investors are more interested in social and environmental disclosures from environmentally sensitive industries such as oil & gas or mining. However, there is no such evidence. To the contrary, according to the research findings, shareholders were more willing to pay for environmental disclosure in a sports apparel firm compared to a mining firm. Even though it may seem strange, there is a possible explanation behind it: mining firms have relatively well-known environmental issues. On the flip side, environmental issues in sports apparel are less transparent so potential shareholders have hard time setting a buy price. In particular, large sports apparel companies such as Nike and Hennes & Mauritz are rather concerned with negative media attention so they have more incentives to make positive corporate environmental disclosures.

STAY TUNED

All in all, there is no sufficient reliable evidence to draw conclusions about shareholders' willingness to pay for disclosure across industries. The question remains open, one thing being clear – however, investor decisions are multidimensional and are driven by numerous forces. The results of the current study are based upon empirical evidence. However, nothing is perfect and there is still space for improvement. In particular, researchers put an emphasis on the amount of disclosure (low and high, versus the average baseline), but they do not estimate the quality of this disclosure. This an important vector for future research: investors should be expected to pay more for more reliable information. Taking into account the quality component, it could possibly explain some of the controversial tendencies.

Finally, the results of the study apply best to a voluntary disclosure environment. If disclosure of integrated reporting information is non-voluntary, it might bring a different set of costs and benefits. Since the conversation about compulsory integrated reporting is on the agenda, the realities of ESG investing may change very soon. ///

KEYS TAKEAWAYS

▫ As shareholders are showing more and more interest in companies' social and environmental performance, sustainability reporting is becoming an essential tool for communicating such information.

▫ Different companies provide different levels of information disclosure. Sometimes an access to various types of corporate information requires shareholders' time and money.

▫ When shareholders claim to be interested in both financial and non-financial disclosure, they are not being completely honest. The evidence suggests that shareholders are not actually willing to pay for social disclosure which undermines the image of a 'socially conscious' investor.

▫ While shareholders are ready to pay to have a minimum level of non-financial disclosure, not many of them are still motivated to do so for the above-the-average level of social or environmental disclosure. At some point, additional financial disclosure becomes more valuable than non-financial one, probably because it is more directly linked to profit margins.

▫ There is no evidence to suggest that shareholders will ask for more disclosure from companies with prior environmental and social issues. To the contrary, investors are more willing to pay for more disclosure from companies with less evident socio-environmental impact.

▫ The investment decision-making is a complex process. Further research is needed to link shareholders' motivation to pay for financial, social and environmental disclosure with the quality of information and the influence of regulation.

INNOVATION IN EDUCATION: THE ESSEC MSc IN SUSTAINABILITY TRANSFORMATION

Alexis de La Tour du Pin, Executive Director of the **MSc in Sustainability Transformation** and Chair on Environmental Transition at ESSEC Business School, puts the spotlight on the new and innovative sustainability transformation degree programme at the school.

> "
> **Sustainability is rapidly moving to the core of every conversation, political platform, and corporate strategy.**

THE STEP FURTHER

ESSEC Business School has traditionally had a strong presence on many sustainability issues,' says Alexis de La Tour du Pin, Executive Director of the new MSc in Sustainability at the school. 'With many of the faculty, as well as pedagogical and research chairs tackling topics such as food transition, leadership & diversity or sustainable finance.' Indeed, some of these Chairs – notably the ESSEC Philanthropy Chair and the Impact Entrepreneurship & Innovation Chair (formerly social entrepreneurship) have been there for decades, pioneers in their fields of study and education and with an impact at both local and national levels.

'However,' states Alexis, 'it was important for ESSEC to create a programme that would offer a holistic approach to sustainability through deep, 360° transformation. In this way, the school can continue to play a pioneering role in the field of sustainability education, and push education forward in general.'

INNOVATING IN EDUCATION

This approach is still quite rare in the field of higher education, sustainability training traditionally having been mainly focused on technical branches – sustainable finance, renewable energies, permaculture – or on social sciences. Some existing programmes revolve around sustainability management, but none seem to develop a full transformative approach, tackling social and environmental stakes at the individual, organisational and societal level.

'It's important to note,' continues Alexis de La Tour du Pin, 'that ESSEC remains a school of business and management. Before the launch of the MSc in Sustainability Transformation, it had never recruited students with the primary purpose of educating them on sustainability – though we've had some Master in Management students citing the Impact Entrepreneurship & Innovation Chair's curriculum as a key driver to join ESSEC. For the first time we will recruit students looking for training in business management, with a primary focus on sustainability.'

The programme is set to be launched in September 2022, with a first intake of students on ESSEC Business School's main campus at Cergy, near Paris. Initially, the programme will take the format of a 1-year MSc programme before becoming a classic 2-year Master's degree. The programme is now open for recruitment to students with at least a 4-year BBA or Master's degree ('*M1*' in France).

SUSTAINABILITY TRANSFORMERS

First and foremost, asserts Alexis de La Tour du Pin, the new programme is all about transformation. 'We want to push sustainability education forward with a more comprehensive approach that will train all-around sustainability managers, or better yet, *sustainability transformers*. Most programmes on the market around sustainability are more specialised, catering for the finance field, social stakes and issues, or even engineering skills – while business approaches tend to focus more on sustainability communication.'

For Alexis de La Tour du Pin, none seem to approach sustainability from a wider angle. In doing so, the ESSEC learning experience encompasses every sustainability issue at stake, and on a more transformative level, going beyond analytical skills and tackling change management as well as physical experience, emotions or psychology. 'We understand that sustainability is complex. But we believe in training great, agile generalists,' states Alexis.

In concrete terms, the first trimester of the curriculum is meant to impart and strengthen the fundamentals of environmental and social transition, with focuses on CSR and impact measurement. Business and management fundamentals are also covered through the lens of sustainability – sustainable finance, marketing, supply chain, accounting, data-management.' Only then we can start approaching sustainability transformation as a whole,' says Alexis de La Tour du Pin,' with the support of consulting and facilitation frameworks, cases and subject matter experts.'

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PLEASE TAKE A CHAIR

Beyond the generalist approach, the programme offers a major anchored within ESSEC's strengths: academic Chairs relating to sustainability matters. At ESSEC, these Chairs form a dedicated track with dedicated courses, research assignments, field trips and experiences. As such, the 2nd and 3rd trimesters of the MSc in Sustainability Transformation are partly dedicated to a major chosen by each student among 6 Chairs: Circular Economy, Inclusiveness & Diversity, Food Transition, Sustainable Finance, Climate & Biodiversity, and Social Innovation & Impact Entrepreneurship.
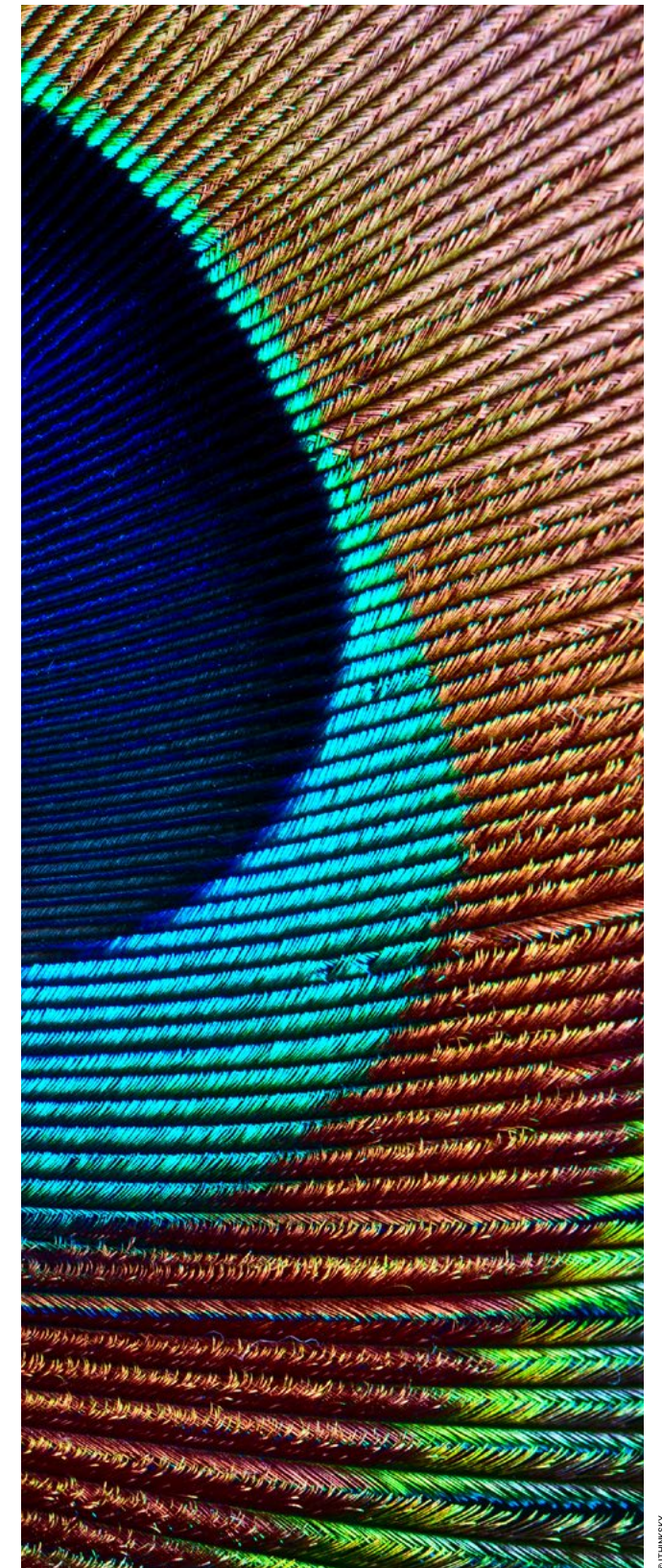
These 6 pedagogical Chairs are usually accessed through the classic, internationally ranked ESSEC Master in Management with a selective application process and a limited number of seats. 'With the MSc in Sustainability Transformation, it's a unique opportunity to join one of these Chairs right away and add a second "brand" to your resume,' states Alexis de La Tour du Pin.

Sustainability Transformation: No longer an afterthought
Radicalness is a final key word for the MSc in Sustainability *Transformation.*' Not in the sense of rejecting existing solutions,' explains Alexis de La Tour du Pin,' but in the sense of going back to the roots of the issues at hand, and imagining solutions that work, solutions that can bring a fundamental transformation.'

Moreover, business and society is at a tipping point in the history of sustainability. No longer an afterthought, sustainability is rapidly moving to the core of every conversation, every political platform, every corporate strategy – although care must of course be taken to sort those who simply talk the walk, and those who actually do walk the talk. It is a perfect time to reflect and dig deeper into the roots of issues, but also past solutions, frameworks, measurement tools, successes and failures. 'It's also is a perfect time,' continues Alexis de la Tour du Pin,' to accelerate and imagine more transformative solutions that strive to remain compatible with our existing systems.'
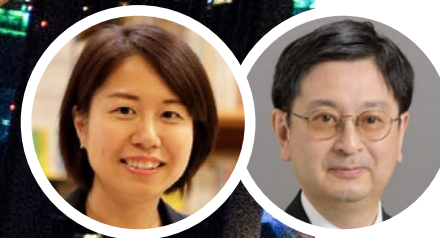
An example? Most climate experts give us until 2030 to transform our systems and durably curb greenhouse gas emissions. Organisations are adapting and committing to 2030 pledges around net zero emissions – or 2040 if their core activity is CO2-intensive. 'However, on closer examination, a lot of them talk before they can actually walk,' says Alexis de la Tour du Pin. 'They commit before having a plan to transform their organisations, shifting mindsets, hire the right talents, adapt their supply chain, accompany their suppliers in this change, and educating their clients. As such – and unfortunately – this type of corporate communication is tainted with greenwashing, although it's neither black nor white: there are various levels of reliability and authenticity, but overall it's getting extremely hard to decipher. By conveying *radicalness,* we aim to teach students how to go back to the roots of why it is important to change, what works, what works less, and thus be more demanding about what can be said and done.'

Physicist and climate activist Aurélien Barrau asks the question: does it still make sense to not be radical in the face of environmental crises? For a business and management school programme, the challenge is to promote and imagine radical transformation while striving to keep sound economic balance. ///

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Discover the ESSEC MSc in Sustainability Transformation web page

FROM CEMENT TO SILICON AND BEYOND

Profs **Mihoko Sakurai** of **International University of Japan** and **Jiro Kokuryo** of **Keio University** explore how Panasonic adopted a sustainability strategy for the future through the building of the Fujisawa smart town.

CHANGING LANES

Panasonic was founded in 1918 as Matsushita Electric Housewares Manufacturing Works, a company aimed at creating things of value, starting with electrical fixtures. Over the decades, it stuck to that philosophy as it supplied Japan—and the world—with objects that made everyday life easier and lifestyles more colourful. From bicycle bulbs to mobile phones and TVs, Panasonic had the home covered.

However, rising standards of living came at a cost—that of general environmental degradation and urban population concentration. Added to this was the fact that the industry in general was shifting from goods-based to services-based, and the market size of electrical goods in Japan was shrinking. As such, it became imperative for Panasonic to create a new business area to achieve economic sustainability.

> It gave birth to the notion of 'bringing energy to life'.

This notion of sustainability has been the subject of much focus and has been further extended towards environmental and social goals, reflected in management and business as the Triple Bottom Line. Aligning itself with this notion, Panasonic had in 2007, announced its 'Eco Ideas Declaration', which in its own words is 'our commitment to the acceleration of environmental management'.

Further, after five decades of operation in the Fujisawa region, in 2008 Panasonic shut three of its factories. And as it chalked out a vision for its business, the local government in Fujisawa wanted the space to be repurposed for education, welfare, and R&D. It also wanted Panasonic to take into account the neighbouring areas as well.

A CENTURY HERE OR THERE

Panasonic established a project team tasked with redesigning the factory site. And after much thought, the company decided to recreate the site as a town where 'people could live environmentally and socially sustainably with all needed services and facilities at hand'.

This is where Panasonic's 100-year experience came into use. As a producer of innovative lifestyle solutions, it was suitably positioned to develop an ecosystem that went beyond mere functionality by incorporating practicalities for the present and an evolutionary vision for the future—in this case, the next 100 years.

BRINGING ENERGY TO LIFE

As such, the project, Fujisawa Sustainable Smart Town (SST)—which began with a collaboration between Panasonic and Fujisawa's local government—was based on the principles of reducing carbon dioxide emissions, being self-sufficient in energy, and using energy efficiently.

This gave birth to the notion of 'bringing energy to life', for energy was considered the basis of healthy living in a peaceful, interactive and secure environment. But all this meant getting a reliable energy source that was able to incorporate the idea of how people perceived living in a town should be.

This was important because the idea of living meant not living a detached lifestyle in a home but as part of the larger fabric of the town, with its detached houses, commercial and apartment complexes catering for around 3,000 people. This involved addressing such issues as eating, working, learning, and connecting in a collective manner and what sort of energy demands these might make.

COOPERATION IS KEY

Though the concept of a smart, energy efficient home was not new, it was the first time that Panasonic worked on

creating an entire township built along that idea. The project, which had already been delayed to 2011 because of the 2008 financial crises, became more ambitious. As such, unable to handle everything on its own, by 2017 Panasonic had roped in 20 different organisations to help it achieve this.

The alliance was useful for it was based on a set of rules that embodied the original notion of the project, and simultaneously allowed the various companies to add value by bringing something different to the table. For example, parcel delivery was not originally planned to be carried out from a distribution centre, but was done so after a transportation company made a case for the use of electric vehicles that would perform this activity from the centre to each home—thereby decreasing the use of energy and fuel in the town.

E = MC2

Other key areas of focus to ensure that this project became a reality were energy, security, mobility, wellness, and community. All of these were aided by information and communication technology (ICT). For energy, Panasonic simulated household energy consumption and installed solar power systems and lithium-ion batteries to store energy and reduce transmission losses, as well fitting a smart home energy management system (HEMS), providing residents with a report on their energy consumption and helping Panasonic to achieve the goal of zero CO2 emission rates.

The ecosystem had the added advantage of being able to provide residents with a three-day power backup in case of emergencies. Further drawing from the experience of the Great East Japan Earthquake of 2011, the project aimed at securing disaster supply kits so that people could also have access to emergency lifeline supplies over a three-day period.

In addition, Panasonic installed solar panels in the common areas to generate 100,000 kilowatts per hour, and catered for the neighbouring regions' residents to use to emergency electrical outlets for charging cell phones in times of crises. It also aimed to reduce water usage by 30% compared to 2006.

MISCHIEF, THOU CAN'T BE AFOOT

As regards security, the township includes the perspective of maintaining an open environment while ensuring safety. This means that there are six points of entry, 50 security cameras, and LED street lamps that cover the entryways, parks, public buildings, and major roads.

To top it all, intrusion detectors, fire detectors, and emergency alarms are installed in homes, and a security concierge was appointed to give a human perspective. Residents can also see the photos (using a tablet computer at home) taken by the security cameras in the parks to ensure the safety of their children. This new security service, which ensures security by creating an invisible gate, was dubbed the "virtually gated town".

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Further, mobility is taken care of as residents have at their disposal the usage of shared electric bikes and cars for the payment of fees. Mobility in the township also includes the delivery services and people have the option to visualise the location of their packages through the TVs installed in their homes.

COMMUNITY WELL-BEING

In order to ensure that the township actually catered to the needs of its residents, people from different age groups met to plan the design of a 'wellness square', which includes a special nursing home for the elderly, retirement housing, schools, and medical facilities.

These facilities are not a one-time offering but are planned evolve over a 100-year timeline with, for instance, an ambition to establish an integrated community care system allowing residents to share their health information and

various services, such as medical and nursing care, with the pharmacy.

The 'town portal', via which people can connect and exchange information and know how to avail services provided is one more example of community-building. Another is that since 2015, people have begun to share skills by starting activity clubs and promoting lifelong learning.

What is also wished for is that people feel a sense of solidarity during emergencies, and to that end Panasonic has created disaster-assistance groups which would help adversely affected residents to return to everyday life.

Access to the network was granted—on a trial basis—to residents of the neighbourhood regions as well. People could then avail of services such as information on store discounts, resource management (lending and borrowing items), and security and crime.

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KEYS TAKEAWAYS

GET BUSY LIVING

By providing these facilities, Panasonic shifted its approach from product-oriented to service-oriented, for it offered residents services as part and parcel of a new town's development. And focused on creating an ambiance of familiarity in the township so that residents would be encouraged to become part of the community.

Moreover, Panasonic's effective information systems strategy, aligned with its goals, played an important role in increasing the impact of the technology it had to offer. The organisation also found a way to administer the collection of service fees, establish grounds for collecting such fees in the case of detached households, and play the role of a gateway regarding the data of the residents, who were still the owners of their data.

As such, Profs. Sakurai and Kokuryo contend that the Fujisawa SST case shows the way toward creating new services that consider economic, environmental, and social sustainability. And allows Panasonic to change the history of sustainable living. ///

- ☐ Rising standards of living have come at a cost—that of general environmental degradation and urban population concentration.

- ☐ As a producer of innovative lifestyle solutions, the nearly 100-year-old Panasonic was suitably positioned to develop an ecosystem that went beyond mere functionality by incorporating practicalities for the present and an evolutionary vision for the future.

- ☐ Energy was considered the basis of healthy living in a peaceful and secure environment.

- ☐ Key areas of focus to ensure that this project became a reality were energy, security, mobility, wellness, and community, and all of these were aided by information and communication technology (ICT).

- ☐ Panasonic also installed solar panels in the common areas to generate 100,000 kilowatts per hour, and catered for the neighbouring regions' residents to use to emergency electrical outlets for charging cell phones in times of crises. And also aimed to reduce water usage by 30% vis-à-vis 2006.

- ☐ Consider as many perspectives as possible. Here, development was looked at from the lens of the town, the people, the homes, and open space to create an environment of a 'virtually gated town'.

- ☐ It is important that a sense of solidarity be shared and that an ambiance of community-building be fostered if such a project is to be successful.

- ☐ Information systems (IS) strategy, aligned with its goals, plays an important role in increasing the impact of the technology it had to offer. Further, novel solutions need to be developed to continue to be profitable.

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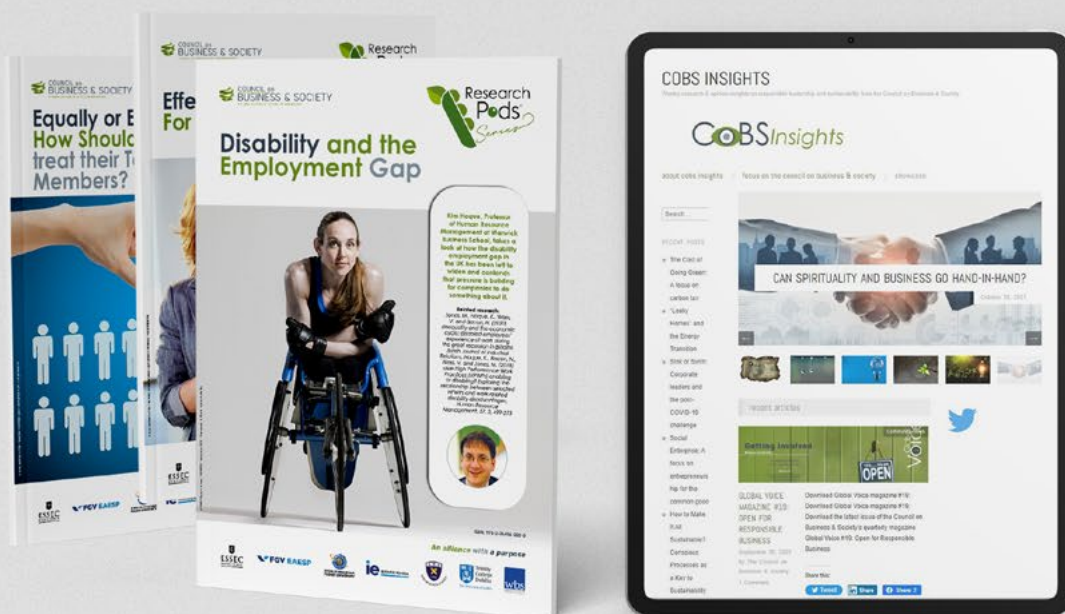
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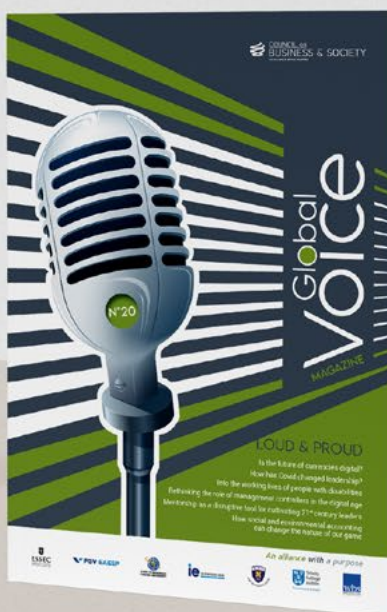EMAIL: IMBA@FUDAN.EDU.CN
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