

Impact articles

Global VOICE

No. 1, June 2017



Transforming business and society in the 21st century

A selection of impact articles from the Council on Business & Society











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

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ISBN: 978-2-36456-168-7

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Editorial

By Professor Christian Koenig

As Executive Director of the Council on Business & Society, I'm delighted to invite you to share in the unique adventure represented by the coming together of leading international business schools with a global reach. The Council is committed to bringing together major players from business, society and academia to debate key issues facing the world today; and transferring the outcomes of this to training the responsible leaders of tomorrow.



This first edition of *Global Voice* brings together high-impact articles and insights from our members' Faculty that look into key issues affecting business, society and responsible leadership. It is hoped that the success of the eMagazine will lead to a quarterly online issues. I also invite you to join in with us to contribute to shaping the world for the common good. Together we can change the world.

Sincere regards,

Prof. Christian Koenig

Executive Director, Council on Business & Society

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The Council on Business & Society

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Impact articles



Business and Society





Impact articles

From CSR to the Transformation of Business Models

By Cécile Renouard

Cécile Renouard, Director of the research programme CODEV – companies and Development within ESSEC IRENE, shares her in-the-field research with multinationals to map out a strategy to address the sometimes divergent interests of business and ethics and propose a way forward for the transformation of business models.



From "CSR" to" Corporate Responsibilities

When the word CSR is mentioned, the reaction is sometimes a groan, sometimes a moan. More often than not, pushed by the requirement to achieve performance and ROI, companies build their own

negative impression of CSR initiatives, both internally and externally.

There are in fact differing perceptions of Corporate Social Responsibility (CSR) among countries and continents. In India for instance, companies are required to spend 2% of their net profit on CSR activities, without



a strict definition of the nature of the activities (philanthropy, etc.). The European Commission (2011) defined CSR as "the responsibility of enterprises for their impacts on society". The Organisation for Economic Cooperation and Development (OECD) issued guidelines for multinational enterprises to contribute to economic, environmental and social progress with a view to achieving sustainable development. The United Nations developed a set of principles for companies and States: the "protect, respect and remedy" framework. Beneficially for companies to 'walk the talk' of ethical behaviour, such guidelines laid down by national and international law help them keep to the path.

However, such "soft law" guidelines are not yet translated into national and international laws. Moreover, many ethical dilemmas go beyond the mere compliance to laws, norms or regulations. As far as taxation is concerned, for example, some current transfer pricing practices, that can be legal, can be seen as illegitimate in the sense that companies shift their profit to tax havens and reduce the amounts they pay to the countries where they operate. To manage such dilemmas, companies need to forge a vision of their responsibilities in a broad sense. ESSEC lecturer and researcher Cécile Renouard has developed a framework to help companies map out their responsibilities: companies have an economic and responsibility, a social responsibility towards employees, a societal and environmental responsibility, a political responsibility, and lastly an extraordinary and philanthropic responsibility.

The notion of responsibility is connected to a questioning on what a company is, at a philosophical level. Money is only one aspect of a company; a company is a group of people with an impact on the context in which it operates. Moreover, there is a general misunderstanding that a company is owned by its shareholders, whereas, if one looks carefully, the law draws the line between holding a share and owning a company. In this light, a company is a project that must be financed by profit, but which must also - as a body, a moral persona – be consistent with the public interest. A company is not merely an economic player but in many ways a political institution in the sense of the ancient Greek polis, meaning 'living together'. There lies the meaning of its responsibilities, and more specifically of its political responsibility to collaborate to a political project for the society.

Analysing and measuring impact on society

Responsibilities are connected to impact: the management of each responsibility goes through minimizing the negative impacts and maximizing its positive impact on those who are affected: the company's stakeholders.

Impact assessment covers a diversity of approaches. The Companies and Development (CODEV) Research Program at the ESSEC IRENE, ESSEC Business School, applied mixed qualitative and quantitative methods (As an alternative to RCT methods (random control trials), as used by pharmaceutical companies) to analyse and

measure the impact of multinational companies on their stakeholders — especially the populations around production sites — in the areas in which they had operations in Nigeria, Indonesia, India and Mexico, as detailed below:

- Total's societal impact on oilextraction regions of the Niger Delta, Nigeria (2008–2014);
- The Danone project of scavengers' cooperatives in Indonesia: Managing the fastgrowing flow of plastic waste to fight against poverty (2011–2014);
- The Veolia project in Nagpur (India): Publicprivate partnership (PPP) and access to water (2011–2012);
- Michelin in India: Legal and reputational risks around an industrial site (2012–2015).
- Danone in Mexico: Social impact assessment of Danone's Pepenadores Project (2013–2015).
- The overriding conclusion of such studies is that, when it comes to maximizing the impact of activities at a local level, pure corporate philanthropy initiatives simply do not work. It is not enough to give books and material aid, as has been seen with oil companies in the Niger Delta region.

What is effective, however, is Development with a capital D – meaning the **Development** capabilities among populations to be (behave) and do (skills). This implies promoting bottom-up participation and initiatives, involving people, empowering them and letting them become aware in order to want to make the change themselves. The companies' impact on society is also an impact on the relations of the people among themselves. When company impact on its environment is analysed, the result is that in many cases it decreases social relations. It is crucial for companies to create social relations, links and lasting social cohesion with the communities where they are located. This will require a mindset change and a long, hard look at how a company can help local development - not in the shortterm as has so often been the case, but over the longterm. Companies should not be afraid to acknowledge the complexity of the development issues that they face, especially in the emerging markets. Danone, for example, had to learn this the hard way when it tried to implement a development program in Indonesia which turned out to be insufficiently adapted to the social fabric of the informal environment at stake. Other Danone projects worked better in Brazil and Argentina for instance.

Transforming business models

This perspective on responsibilities leads us to view the company's stakeholders not only as its direct suppliers, customers or social groups around a production site, but as the different groups impacted by its operations along the chain to which they belong, from upstream



producers to end-consumers. This relates the company to "political" challenges such as education, pollution, global warming, poverty reduction, etc. This is no longer about local projects led at a very local and limited scale, for a very small number of people, but about a necessary transformation of the business models at a larger scale meaning a deep transformation of the strategy, production, marketing, finance, supply chain and other functions and practices. Our economy (and most of our laws) was created at a time when we thought resources were inexhaustible. The replacement of humans by machines was also in apparent good faith: essentially to increase standards of living. But these concepts were founded on principles that today seem false: there is no longer "enough land, and as good, left in common for others" as John Locke once stated. Neither is there an infinite stock of oil and gas.

The transformation of our business models is a question for society as a whole. Is it possible to stop saying that it is greater GDP that creates better living conditions for all? True, our economic model has bettered conditions for one part of the world – the industrial world – but the global picture is that it endangers the quality of life of future generations and already leaves many poor people aside. If we want to change, therefore, it is perhaps a question of considering how our economic models contribute to the problem and reflecting on the idea that **prosperity is reachable**, but by putting emphasis on other dimensions such as lower consumption, **sobriety**, and modesty in how we go about developing growth and profit.

It is not only the multinational giants who are concerned. Small companies too: not simply because of the domino effect the giants have along the chain to SMEs, but because many small enterprises are motivated, more agile, and more flexible to be able to do things rapidly. *Pocheco*, the French leader in stationary, is a great example of how a small-sized business can come back from difficulty with a belief in CSR: a shared vision for ethical employee relations and salary ratios and a concern for the environment and its strategy of aiming for quality, the natural, and positive environmental impact. The company creates profit – but with respect for rules, other stakeholders, and the wider perspective. That lends hope.

Of the doubters, the scared and the leaders

Much in the vein of their political responsibility, companies also have to work with regulators to make sure that the business model transformation is accompanied at the same pace for all and at a global level. Collaboration with national and international institutions is essential to ensure a scale change. A company – using its power and influence and backed up by law and regulations – can indeed have great and positive impact on the world's future. Leadership is naturally composed of those who wish to move ahead, those who are cynical, and those who remain in the middle, perhaps scared, perhaps still unconvinced

that corporate responsibilities in a broad sense can and must play a part in modern business and economics. It is here that having effective, courageous and ethical leadership within a company can make all the difference. Those who are scared, or doubting, will follow creative and courageous leaders with a positive vision for the future.



Cécile Renouard, Director



CSR and the Strenghtening of Civil Society in Brazil

By Mario Aquino Alves

Mario Aquino Alves, Professor at FGV-EAESP and Associate Dean for the PhD Program in Public Policy, continues with a third focus on Brazil and the political concept of CSR in developing civil society



Opening up the understanding of politics

Brazilian business culture is deeply marked by an aversion to political action, which is usually assumed in a narrow sense, i.e., party negotiations, conspiracies, and agreements with parliamentarians and members of the executive.

Accordingly, politics would mean entering the tortuous fields of patronage and paternalism that are potentially the gateway to misdeeds and criminal activity. Recent corruption scandals that were recently revealed to the public during large-scale police investigations like *Lava*

Jato (big contractors and construction companies bribing public officials and politicians) and Zelotes (companies bribing public officials for tax evasion) might well have

reinforced this understanding. Thus, the stereotype of the involvement of business and politics in society is lobbying and corruption.

However, the Brazilian business community should try to understand politics more broadly. There are different forms of political action that affect the public. These actions may or may not be linked to a government and may or may not be held by it. Thus, the adoption of



ethical standards, the environmental certification of companies, the formation of a residents' association, negotiating during protests and boycotts, trading ethically responsible products, stakeholder negotiations, and many other practices can also be considered political activities.

The structural and technological changes of the last thirty years have expanded the scope and performance of the business environment. Moreover, in this new global context, companies currently have a political and social role that goes far beyond the minimum legal requirements. As such, one of the ways that businesses can engage in political action is through Corporate Social Responsibility (CSR), either directly by companies or indirectly through their institutes and corporate foundations.

A little pressure leads to great incentive

Institutional and economic pressures have justified the growing involvement of companies in numerous areas of public interest. On the one hand, many of the incentives for the social performance of companies result from consumer pressures, the awareness of responsible investors, shareholders driven by new moral imperatives, and the threat of NGOs and social movements who understand the potential risks that can damage the reputation of companies. On the other hand, there are incentives for social responsibility activities that come from the market itself: acting responsibly became a market niche that may be attractive to some companies, but not all. Through Corporate Social Responsibility, for example, companies go far beyond just meeting the expectations of society, by engaging directly in regulatory actions in the production of public goods.

When politics gains goodness

A new concept of CSR is emerging which transcends those welfare actions or advertising initiatives, and able to add these new roles taken on by companies. This is a political concept that transcends an economic vision to which the actions of Corporate Social Responsibility are purely focused on creating value for companies, i.e. they only assume social responsibility activities if they maximize the value of the company in the long run.

It is therefore from this political concept of Corporate Social Responsibility that its role can be understood in the process of strengthening the Brazilian civic sphere. Despite the democratization process already entering its third decade, Brazilian civil society is still weak. The early 1990s brought with it a great paradox: while the process of democratization of the institutions went underway, with a new constitution that established the participation and decentralization of public policies, Brazil was experiencing an unprecedented economic crisis, which enlarged the gap between rich and poor. In this period of increased social demands, state-sponsored social welfare programs functioned precariously or even disappeared. At that time, social movements and NGOs began to open up dialogue and even establish

partnerships with the government (at all three levels of the federation), with businesses, and even with traditional mutual aid and assistance associations in order to fulfill social needs. It was the time of boom in the nonprofit sector and corporate social responsibility initiatives in Brazil.

Hard times, new impetus

However, in recent years, the decline of international cooperation, the problems linked to contracting with government bodies (due to heavy bureaucracy and institutional weakness), litigation issues with government contracts, and the long tradition of low civic and associative culture in Brazil, marked the need for new impetus for the development of a strong civil society, particularly in the context of civic engagement and local development.

In 2010, there were 290,000 nonprofit organizations in Brazil, according to <u>FASFIL 2010</u> (IBGE, 2012). Of these, 42,463 organizations were involved with advocacy, and 33,172 concerned residents associations or community development. The vast majority of these organizations have extreme difficulty to survive, showing a local weakness in the development of civil society.

Between 2012 and 2013, the FGV/EAESP Center for Studies in Public Administration and Government (CEAPG), with the support of Alliance D3, developed a study on The Institutional Architecture of Support to Civil Society Organizations in Brazil, which not only pointed out these difficulties to survive, but also the possibilities for strengthening civil society. Among these possibilities, the study indicated that the private sector, especially large companies and their branches of private social investment, could provide resources for civil society organizations.

There are, however, institutional problems for companies to engage in activities to strengthen civil society. The Grupo de Institutos, Fundações e Empresas (GIFE), which brings together a hundred of the most important private investors in Brazil, showed that these same investors settled two billion reals in private social investment in 2011 (GIFE, 2013). However, these resources were mainly intended for their own projects with only a very small portion intended for civic engagement organizations, such as those of advocacy and community development.

How Brazilian business can help Brazilian society

With the goal of developing civic engagement, it is contended that companies could make a significant contribution in two fields of activity: the training of community leaders and the development of the institutional capacity of community development organizations.

The training of leaders is essential for civil society and its organizations to gain greater credibility within local society. But building highly efficient organizations does not mean that they might lose their ideal match. Indeed,



being more efficient means that their leaders can lead their organizations to create projects and programs that transform people and society positively. It means less concern with internal management problems and greater attention to civic activity.



Professor Mario Aquino Alves



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The age of anti-globalization: how tightening visa controls can hurt knowledge flow

By Estefania Santacreu-Vasut

Estefania Santacreu-Vasut, Professor of Economics at ESSEC Business School, and Kensuke Teshima of ITAM, Mexico, share their research into the role of expatriates in the transfer of technology within multinational companies* and tackle the possible impact of proposed anti-migrant policies.



ow much would a country's companies lose if an increase in barriers to the movement of highlyskilled workers materialized? What would the consequences be of such policies in economic terms? And what countries or regions would face the biggest costs?

In a world of globalization that we have now taken for granted, we suddenly find ourselves in the centre of an unexpected upheaval: anti-globalization. Whether the anti-globalization sentiment that materialized in 2016 with Donald Trump's election and Brexit will continue in



2017 remains to be seen, especially with the upcoming French Presidential election. And regardless of whether Marine Le Pen is elected or not, it is clear that her political rhetoric is based on promoting antiglobalization policies as a solution to economic distress.

One of the most publicized aspects of the antiglobalization movement involves anti-migrant discourse, especially concerning the inflows of low skilled foreign workers and of refugees. Indeed, a less publicized aspect that may well be part of anti-migration policies ahead concerns highly skilled workers. Indeed, in early January and before President-elect Donald Trump took office, Republican lawmaker Darrell Issa declared plans to introduce a bill to restrict conditions for entering the US under the U.S. H-1B visa, used by US firms to attract skilled workers and students. In France, Marine Le Pen's programs have recurrently pointed a finger at the costs of migration, never its benefits. These measures, if taken on either side of the Atlantic, could lead to a protectionist spiral where trading partners, such as Mexico, retaliate by tightening American worker inflows. At the European level, a potential tightening of visa policies in France could not only detrimentally impact trade with the rest of the world but also within Europe.

Turning off the flow

Restricting the movement of people across countries can influence the economy at several levels – the movement of goods, services and capital, as well as worker movements per se. When borders are open, foreign investment flows across countries allowing multinational companies to operate abroad. For example, Mexico has benefited from such investments which have encouraged the country's export competitiveness. To a great extent, these gains are due to the flows of technology and knowledge that have materialized within multinationals and that, in short, lead to the transmission of ideas and technology to the countries where they operate. Despite the progress in information and communication technologies, such flows are boosted by the presence of highly skilled foreign workers and managers in the recipient country. The reason is that, in part, these ideas and knowledge are tacit and hard to be codified. The flow of people, therefore, is tightly linked to technology and capital flows.

Hey, Joe: Way down in Mexico

Professors Santacreu-Vasut and Teshima's research took data regarding multinational company operations in Mexico that showed that not only is expenditure on technology transfer twice as much in firms hiring expatriates, but that the probability of transferring technology is also double if the company has at least one expatriate in its workforce. Why then, despite the positive correlation, did more than half the multinationals surveyed choose not to employ expats? Former research explains this by the fact that while expatriates may be beneficial for transferring technology, they are costly in other dimensions, one of

the recurring costs being the difficult adaptation of expatriates to the local environment. However, the research carried out by Santacreu-Vasut and Teshima adds to this by modelling the conditions under which expatriates facilitate the transfer of technology and thus contribute to technology and capital flows between countries. By studying a specific company's decision to hire either an expatriate or native in the role of manager in the Mexican subsidiary of the multinational, several conclusions were drawn: firstly, that the expatriate is more efficient at transferring technology, since she or he knows the company. On the other hand, the expatriate has greater difficulty in dealing with local suppliers. Indeed, the advantage of the expatriate seems to be dependent depends on two factors: the technological intensity of the company and the institutional environment of the area in which the multinational is located (i.e. in certain states in Mexico, the respect of contracts and the legal system can be more or less efficient).

This gives some interesting findings. Where institutional quality is low, the advantage of hiring native manager in relation to the expatriate is greater. However, in environments where institutional quality goes to very low, relying on local suppliers is so costly that the multinational does not rely on local labour and the advantage of the native manager disappears. All this points to the conclusion that multinationals tend to recruit expatriate workers in extreme institutional environments - of very high or very low quality - and that in these two types of environments the expatriate indeed facilitates the transfer of technology. When the quality of the environment is average, the advantage in managing local resources the local manager has outweighs the disadvantage in terms of technological transfer and the native manager is recruited. This benefit, however, carries a cost in terms of technology transfer which decreases because the native worker is less efficient. Restrictive visa policies would, by hardening the hiring of expatriates, have dire consequences for the competitiveness of the Mexican industrial fabric, and such impact would be concentrated in certain states.

And wider afield: The States, UK and France

The research carried out by Professors Santacreu-Vasut and Teshima also have relevance beyond the Mexican borders, in particular for the US, the UK and France, since the role of expatriates can be analysed according to the specific institutional environments of each country. The United States, France and the United Kingdom are characterized by high levels of institutional quality and are net recipients of world talent. The adoption of restrictive policies on the immigration of skilled workers would, in this context, reduce the transfer of technology and possibly erode the competitiveness of their companies and economies.

Their analysis also suggests that restricting highly-skilled worker flows would make it difficult for a country like



the United Kingdom to benefit from trade and technology exchanges with the rest of Europe, and in turn limit the flow of skilled workers since such flows are complementary.

Finally, the risk of institutional deterioration that the Trump administration might pose (as recently put forward by Larry Summers), coupled with the tightening of visa policies, could contribute to an even more significant deterioration, since not only would it be more costly to attract foreign talent, expatriates would be less effective in managing relations with the American institutional and political environment, thereby diminishing the incentives of US companies to hire them. Finally, both these reasons would contribute to an even greater deterioration in American competitiveness through a reduction of technology flows. Whether France's forthcoming election will follow suit remains uncertain and will partly depend not only on whether citizens are able to see the visible but also the invisible consequences of anti-globalization.



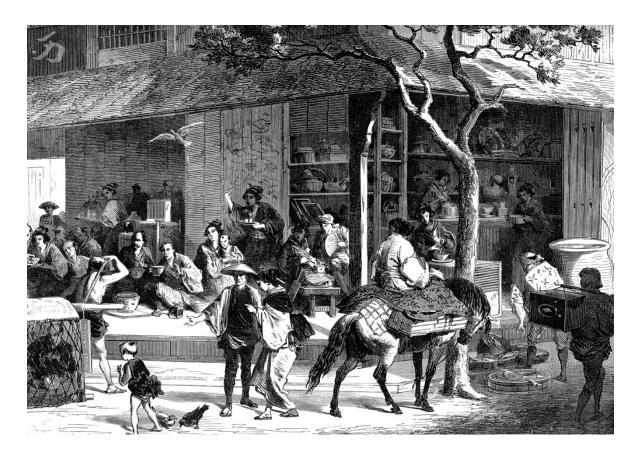
Professor Estefania Santacreu-Vasut



Sanpou-Yoshi: A gift from ancient Japanese merchants in an uncertain world

By Takahide Shinkai, Michael Shimizu, and Yoshihiko Sakamoto: Graduate School of Business Administration, Keio University

While companies around the world face new challenges beyond simply producing a profit every year, it is extremely difficult to consistently please every stakeholder. Three Keio Business School students explain.



Inder this context, Creating Shared Value (CSV) as an aspect of Corporate Responsibility (CR), a concept first introduced and also later improved by Michael Porter and Mark Kramer in 2011*, is acknowledged by many business professionals from around the world. However, in Japan, merchants have held a similar concept from longer ago in time. Moreover, this concept

could potentially help achieve the challenging endeavor mentioned above. This is "Sanpou-Yoshi", a concept based on an ancient Japanese way of thinking as an idea for the achievement of a sustainable society.



Of value, responsibility, and Sanpou Yoshi

Before moving forward, we would like to clearly define the difference between Corporate Social Responsibility (CSR) and CSV. In this article, CSR is defined as a social contribution through activities with little relation to the core business. On the other hand, CSV is directly linked to the core business. One of the main benefits of conducting CSV is that because the actions will be embedded in the day-to-day business operations, CSV has the potential to produce an additional competitive advantage for a company in comparison to CSR. In addition, both require an initial investment. However, CSR is a donation that likely has no ongoing returns, but CSV can be a source of benefits through discovering new markets or lead to higher efficiency of business ventures.

"Sanpou-Yoshi" is a traditional business principle in Japan. "Sanpou" means three ways, while "Yoshi" refers to satisfaction. Thus, the three areas that this principle focuses on satisfying are Customer, Company, and Society. In other words, this concept satisfies both the company and stakeholders through its operations. In this way it is consistent with CSV. "Sanpou-Yoshi" is representative of how Japan has performed CSV from traditional times.

The Nepia example: flushed with success

To illustrate an example of Japanese CSV in action, we would like to highlight a company called Oji Nepia Co., Ltd. (Nepia) in Japan. The main products of Nepia are toilet paper, and other household paper products. In 2007, Nepia redefined their CR goal as "to reduce hygiene issues to save lives worldwide," and therefore initiated a CSV program. With this, Nepia decided to donate a part of their revenue to East Timor to have one thousand toilet stalls constructed from scratch under the "Thousand Toilet Project" with Unicef. These toilet stalls were installed where access to water was either minimal or non-existent. To this day, this project is alive and well, resulting in roughly an additional thousand toilet stalls installed each year. As a result of this project and widespread recognition from the market and various stakeholders, Nepia grew their market share in the toilet paper industry. The "Thousand Toilet Project" is a successful example of CSV of a company.

At the same time, Nepia's success with this project is also "Sanpou-Yoshi" at its best. For customer satisfaction, this project helped build a strong brand image through widespread publicity and resulted in favorable promotion for Nepia. Toilet paper as a product is extremely difficult to differentiate from the competition, however through the "Thousand Toilet Project," Nepia was able to sell more than lower priced competitors, as their packages had promotional stickers showing the alliance with Unicef which persuaded consumers to choose their product at the time of purchase. With Japan being in an extended period of deflation, and Nepia being in an industry with many

similar products and with constant strong pressure to lower prices due to high price elasticity, the company was able to maintain higher prices compared to competitors as a result of this project. Here the company satisfaction is Nepia. And finally, with the construction of toilet stalls and hygiene education provided to the local communities in East Timor, Nepia was able to provide Society satisfaction in this form.

In addition to the three satisfactions of the retail shops (Customer), Nepia (Company) and East Timor (Society), Nepia was able to form an alliance with UNICEF, which propelled the project and Nepia's reputation to a whole new level. Through the Nepia and UNICEF alliance, the "Thousand Toilet Project" was promoted on the websites of both organizations. Not only did the alliance make a difference in the eyes of the consumer, but also drew media attention that further strengthened the image of Nepia. These factors suggest that instead of acting alone, working with an organization closely related to a company's CR vision leads to greater success.

Accepting the gift

In this article, we introduced "Sanpou-Yoshi" with a specific example. With a vastly changing business environment including technological advances, uncertainty is common in any industry even for the near future. Due to these changes, new concepts such as "design thinking" have been introduced. While these new ideas and concepts can be revolutionary, in situations with high uncertainty, it can often be best to return to the basics, while learning from history. "Sanpou-Yoshi" might indeed be a gift from ancient Japanese merchants who lived in an uncertain world hundreds of years ago.

*Porter, Michael E.; Kramer, Mark R. *Harvard Business Review*. Jan/Feb2011, Vol. 89 Issue 1/2, p62-77. 16p.



Takahide Shinkai, Michael Shimizu, and Yoshihiko Sakamoto: Graduate School of Business Administration, Keio University



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Management & Leadership





Impact articles

HOW TO BUILD A PROACTIVE WORKFORCE: TRAINING PROBLEM-SOLVERS OR STRATEGIC CHANGE AGENTS?

By Karoline Strauss

Organizations are increasingly looking for their employees to be proactive – to show initiative in their work and contribute to positive change. But how can organizations increase proactivity in their workforce? Can employees be trained to be more proactive? Karoline Strauss, professor of Management at ESSEC Business School, aims to answer this question in her research.





The short answer is: yes, she says. "The long answer is that which training approach will be effective – and for which employees – depends on the kind of proactivity an organization is looking for in their workforce. Do you want your employees to be proactive problem solvers, fixing issues they come across in their day-to-day job, or do you want them to be proactive in shaping the long-term future of the organization? Our findings show that a different training approach is needed for these two different types of proactivity".

The proactivity gap

Employees who take a proactive approach at work – who speak up with suggestions, try to bring about improvements, and take initiative – generally perform better, are more satisfied with their job, and progress more quickly in their career. For organizations, a proactive workforce which anticipates changes and is willing to contribute to innovation is seen as a competitive advantage. So how can organizations encourage employees to be more proactive?

Previous research has highlighted two potential avenues for organizations wishing to increase the proactivity of their workforce: hiring new human resources with particular personalities and skills sets, or changing the work context, for example by enriching existing employees' work. However, these strategies often encounter two issues that may block their implementation: the lack of opportunity to hire due to difficult economic or budgetary contexts, and the lack in means and resources to enrich job roles. It therefore falls to training and development to offer a feasible approach to promoting employee proactivity. Indeed, in the United States alone, organizations spent over \$165 billion on employee training and development in 2013. But how should training approaches aimed at encouraging proactivity in the workforce be designed? And which training approaches are most effective for employees with different needs and priorities?

Bridging the gap

Karoline Strauss, together with Sharon K. Parker of the University of Western Australia, decided to carry out research to address these questions. "It was clear to us that the training approach an organization should take would depend on the type of proactivity it is looking for in its employees", says Prof. Strauss. The researchers suspected that a different training approach would be needed to encourage employees to become proactive in solving problems they encountered in their day-to-day work, or to encourage them to involve themselves in strategic change and become proactive in shaping the future of the organization. The researchers developed two distinct training interventions focused on encouraging these two types of proactivity.

The researchers then recruited 112 volunteers from a police force in the North of England. The volunteers were randomly allocated to one of the two training approaches, or to a third group that received no training whatsoever. "To test whether the training approaches were effective in promoting proactivity, we compare employees who took part in the training to employees in this third group", explains Prof. Strauss. "This means that we can rule out that employees throughout the organization became more or less proactive because of other changes that took place during the time of our study". The researchers then tracked employees over 9 months to see if their proactivity increased. The findings showed that both training approaches were potentially effective in encouraging employees to be more proactive, but that employees' needs and preferences determined whether the training worked for them.

It depends: Employee needs and preferences matter for proactivity training

Prof. Strauss's findings showed that employees faced with a high workload were most likely to respond positively to the training approach aimed at encouraging them to be proactive problem solvers. "These employees felt swamped by the demands they were facing", states Prof. Strauss. "We succeeded in training them to approach their job in a more proactive way and take charge of challenges and obstacles they were facing". Training these employees to identify problems in their job and to develop ways to address these problems helped them to find more efficient ways of completing their day-to-day tasks.

On the other hand, the training approach aimed at encouraging employees to become more proactive in shaping the future of the organization was most effective for those who are generally more focused on long-term rather than short-term benefits. Employees who were more interested in the short-term did not respond to the training approach in the same way – they did not become more proactive. "Our findings really show that there is no one-size-fits-all approach to proactivity training", explains Prof. Strauss. "For organizations who want to enhance proactivity in their workforce this has two important implications. First, what kind of proactivity do they expect? Do they want employees to become proactive in overcoming obstacles and finding more efficient ways of working, or do they want employees who think about the long-term future and about strategic change at the organization level? Second, organizations need to consider the situation the employee is in. What are the employee's needs and preferences? Pushing somebody who is generally not very interested in the long-term to contribute to bringing about a vision of the organization in the future is unlikely to be effective in making them more proactive, and our findings suggest that it can even backfire".



Expanding the bridge

Prof. Strauss's work has been recognized for the strength of its experimental design which rules out alternative explanations for changes in employee proactivity. However, she suggests that more research is needed on the effects of training interventions on employee proactivity. "Our study is an important first step in determining which type of training approach can be effective in encouraging employees to be more proactive, and who is most likely to respond positively to the training. But can we, for example, combine the different training approaches, and are there other ways in which employees and organizations can benefit from proactivity training?" Further research will need to explore these questions in other organizational settings.



Professor Karoline Strauss



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THE CHANGING THREAD OF CHINESE MANAGEMENT CAPABILITIES

By CEO Kelvin Chao

CEO Kelvin Chao of Talent Creations Ltd, Fudan School of Management guest speaker at the Council on Business & Society 2015 Boston Forum, explains how the working environment in China has changed since the 1990s.



Talent Creations, a China-based global company focusing on the design and supplying of corporate uniforms and clothing, is unique in that it works with fashion stylists to tailor work clothes into garments that employees love to wear. CEO Kelvin Chao takes a step back to provide us with perspective on how the Chinese working environment has developed since the early 1990s and give insight into the future talent and

capability requirements China will face in the years to come.

No longer "one-size-fits-all"

Starting his career in 1993, China had at that time just started to open up with collectivism still mainly dominant, and Kelvin Chao found himself one among millions of college graduates that were assigned a job in



a state-owned trading company. Today, the government no longer guarantees employees a job. Individualism, fuelled by the one-child policy implemented the 1990s, is now the predominant mindset for younger generations. "Mass production time is now over," says Kelvin Chao, "there is no more one-size-fits-all". Moreover, survival or even success no longer constitute major concerns for the young, but rather fulfilment, doing what they enjoy, and doing what inspires them are foremost in their minds. Some of us who like Kelvin Chao can enjoy being able to look back over several generations would say that this is not so very different from young people in the West too. In this respect, globalisation has perhaps brought younger generations more things in common than with their predecessors: it is the era, it can be argued, of individual needs, social media, efficiency and information overflow. How can managerial capability - and specifically that of China cope with those changes? Kelvin Chao states that not only has he learnt to deal with the younger generation, but that he takes their needs into consideration in his business model. Talent Creations still operates bulk production, but the company considers more individual needs, tailoring the vision - Dressing the World - and the products themselves to make people feel good at work, even though they may wear identical uniforms be it on the production line or as a member of an airline cabin

Fashions change...

In the past, successful Chinese businessmen tended to follow Confucius doctrines based on intelligence, integrity, benevolence, righteousness, and loyalty, ploughing back these values into a collectivist approach towards their company and their teams. "But think about all these virtues we've been following," suggests Kelvin Chao, supporting the argument that some of them no longer apply to the current business environment in China. From a personal perspective, loyalty in business is now difficult to spot. With life-long employment bygone, it is not unknown for employees to come into the office or even send an e-mail with news that they are quitting with no regrets and no fear of finding further employment elsewhere. Kelvin Chao sees in this the importance of letting the modern employee feel that both the company and the business activity can inspire them. This can be achieved in part through the changed nature of organisational and functional developments in China over the past ten years. In the past, business in China was all about cost, insists Kelvin Chao. A firm would hire thousands of people, paying them a same

wage and organising their work around two shifts. Today, cost is no longer the dominant factor but rather the growth model. In the specific context of Talent Creations, inventory management, engineering, processing, and strategy are the factors which have overtaken priority from mere labour cost. Consequently, as a business, Talent Creations requires a whole panel of individual talent to build the company for the future.

Capabilities tailored to the future

Kelvin Chao sees the young generation as talented and self-driven. As CEO, he argues that rather than force younger employees you must empower them, as well as structuring operations to encourage workers to inspire each other. Expertise is required that probably never existed before. For example, the retail industry in general in China is equipped with good stock and sales ratio and supply chain management processes, but for Talent Creations, dealing in a niche market such as corporate uniforms and dress wear, the stakes remain how to manage their value chain and create best efficiency and lowest costs. Empowerment thus consists in relying on the team to build the right processes to ensure these. In the Chinese business world today, there is still a requirement for managers in finance, marketing, and manufacturing, but the new challenge is to recruit different types of expertise that address the fastchanging business environment. China needs people that are deeper, broader, cross-functional and even crossindustry in profile. Moreover, Chinese business needs people who are global and multi-cultural.



CEO Kelvin Chao



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CORPORATE GOVERNANCE AND THE ROLE OF THE STATE

By Rodrigo Bandeira de Mello, FGV/EAESP, Prof. Sridar Arcot, ESSEC Business School, Mr. Mats Isaksson, Head of Corporate Affairs Department, OECD.

Government policies definitely affect corporate governance, for policies and their enforcement shape the environment for corporations. What are the benefits and shortcomings of policy frameworks? And what role can the state play?



How do governments create conditions for companies to grow?

For Matts Isaksson, there is no doubt that the government plays a role in governance and the OECD has developed a set of corporate governance guidelines whose purpose focuses on economic efficiency which in

turn drives economic growth. This is achieved when companies can access capital and sell equity which they then use for growth. For investors to invest amid uncertainty requires laws on corporate governance and the stock market that include rules relating to transparency and disclosure. "Company law and the stock market provide ability for companies to access risk capital for growth," states Mats Isaksson. "However, the



rules that exist in many countries may be based on an antiquated financial view of the world." These rules assume that shareholders have a direct view and interest in a company, which today is often not the case due to the rise of institutional investors and middlemen. Other notable changes in the market include market fragmentation and use of trading techniques such as indexing and ETFs and it is due to these new realities that the OECD will be reassessing its guidelines for corporate governance at a future date.

What impact does allowing voluntary disclosure have on companies?

In the UK in the early 1990s, the Cadbury Committee developed a code of corporate governance best practices. Compliance with this code was voluntary, but if companies did not comply they were expected to explain the reason for not doing so. Within the UK and around the world, this approach gradually took off. Among the code's best practices are separating the chairman and CEO roles; appointing a senior, nonexecutive director; having one third of directors as non-executives; having a CEO service contract of not more than one year; and creating committees in areas such as audit, remuneration and nomination. Prof. Arcot's research shows voluntary compliance in the UK has risen steadily and now exceeds 60%, though among firms that haven't complied, many offer no explanation for their non-compliance. When explanations are provided, they tend to be general and are rarely specific, which may be acceptable for family firms where the family can be expected to closely monitor its investment, but problematic for widely held companies where investors want to monitor the firm but lack the information to do so. In Professor Arcot's view, corporate governance is complex and there is not a onesize-fits-all solution, believing it good practice to provide

companies flexibility in deciding which practices to adopt based on their situation, but seeing drawbacks in a purely volunteer compliance system where there is weak legal protection for investors in widely held companies. In this light, governments need to attribute further thought to those circumstances requiring more compliance or explanation.

Brazil's experience shows that the government is more than just a regulator

Prof. Bandeira de Mello explains that in developing markets such as Brazil, the government often plays a greater role than simply establishing rules. In Brazil, the government has always had a close link with the private sector, both embracing the market and enacting policies to help the country develop. Furthermore, the government has acted as a legislator, a lender and an owner of companies and controls or influences many of the resources that firms need, affects issues such as licensing and often has influence regarding the naming of CEOs and directors. The idea of government playing a "blurred role" is not limited to Brazil however. In many countries, the government plays a key role in supporting industries or companies, providing access to capital, deciding on executives and directors and deciding upon regulations, thereby actively contributing to the impact on corporate governance.

Finally, the Council on Business & Society surveyed its student population by asking them if they agreed or disagreed with the following statement: Government legislation is essential to ensure a balance between business interests and society. For students, the answer was an overwhelming 67% in agreement against 17% in disagreement with the statement. The future generation of business leaders seems to wish to work hand-in-hand with governments.



Professor Rodrigo Bandeira de Mello, FGV-EAESP



Mr. Mats Isaksson, Head of Corporate Affairs Dept, OECD



Prof. Sridar Arcot, ESSEC Business School



MASTER AND PUPPETS: THE CEO AND NARCISSICISM

By Arijit Chatterjee

Arijit Chatterjee, Professor of Management at ESSEC Business School, explains how narcissistic CEOs satisfy their need to dominate and impact top management teams. From the paper "Master of Puppets: How Narcissistic CEOs Construct their Professional Worlds", by Arijit Chatterjee and Timothy G. Pollock, to be published in the Academy of Management Review.



I'm the boss and I decide

Because narcissistic CEOs believe their knowledge and experience are superior to others, it follows that their decisions should lead to the best outcomes. As such, they need to dominate decision-making in the organization. Character traits that might also seem negative to many of us also hold them in good stead when it comes to a decision – a lower need for intimacy, a lack of empathy and lower levels of gratitude for their

co-workers make it easier for them to be comfortable exploiting and dominating others. This does not mean that narcissists are always abusive and domineering. Indeed, narcissists can also use charm and self-presentation techniques as a means of influence which others may find initially enjoyable.

Studies have shown that narcissistic CEOs tend to put into place several strategies to ensure that they retain control of decisions in the firm. Whereas the benefits of



globally high-status directors outweigh the costs, high-status top team members create problems for them — they tend to speak up and speak out — hence the first strategy of placing a loyal cadre of lieutenants around them to protect and defend, as well as facilitate the implementation of their directives. This is easier in smaller firms than larger firms where the structural complexity of the organization and the sheer numbers of employees makes it impossible to exercise direct control. A loyal team thus becomes even more critical in this environment, since narcissistic CEOs are more likely to use them to seal themselves off from lower-level employees who they have little interest in interacting with.

They are also more likely to promote younger, more inexperienced people to key positions, not because the latter are less capable, but because – lacking in extensive networks, more receptive to strategic change, and prone to creating enemies among their non-chosen peers – they will provide loyalty born from both gratitude and obligation. After all, their future careers will depend on the narcissistic CEO's continuing dominance within the firm. Former research cites Steve Jobs as an example. Starting with his co-founder Steve Wozniak, Jobs became well-known for identifying talented individuals and pushing them to achieve great things, but also for turning his back on them and replacing them without hesitation when their behavior displeased him.

And finally, because of a preference for subordinates who admire — or fear — them and who can show tolerance for the CEO's less savory behaviors, narcissistic CEOs will tend to surround themselves with malleable directors and executives, lower in esteem and ready to allow the CEO to take all the credit for positive outcomes. Importantly, they will also personally identify with the narcissistic CEO rather than the organization.

Mirror, mirror. Echo, echo

To return full-circle, it is also odd that subordinates in a firm may end up gazing into the mirror. Not to see

themselves, but the image of their narcissistic CEO so carefully crafted by the maker himself. This identification is born from a mix of reward, punishment, the CEO's heroic media image and the subordinates' psychological discomfort at having to admit to themselves that they kowtow to the boss. It leads employees to develop rationalized myths about their leaders. But while they admire the CEO's actions, vision, capabilities and rebelliousness, they ultimately end up using the myth as an "excuse" to forgive their boss's negative eccentricities such as fits of anger, lack of empathy, humiliation or punishment, as a side effect of genius. In the book *Elon* Musk: Tesla, SpaceX, and the Quest for a Fantastic Future, the author Ashlee Vance states: "Numerous people...decried the work hours, Musk's blunt style and his sometimes ludicrous expectations. Yet almost every person - even those who had been fired - still worshipped Musk and talked about him in terms usually reserved for superheroes or deities." The authors argue that the self is, in part, a social construct and "personality assessment must be grounded in context instead of looking for general features."

Narcissus: getting to the root of it

So what can be done? And is narcissism necessarily negative? Indeed, some traits might be seen as virtues in many leadership situations. While recognizing this, Chatterjee and Pollock point to the fact that more than a decade after Sarbanes Oxley, ties between independent directors and CEOs continue to hamper corporate governance and board effectiveness, with CEO-director relationships becoming entangled in a quid pro quo that ultimately defeats the purpose of corporate governance reforms. 'Tighter regulations may not be effective in reigning in their excesses,' they assert. 'If boards know their CEOs better, and CEOs are aware of their own tendencies, they might be able to make better recruitment decisions and structure the CEO's professional world more effectively.'



Professor Arijit Chatterjee



Sustainability





Impact articles

POWER GAMES: FULL OF NERVOUS ENERGY

By Antonio Volpin

Antonio Volpin, Director, McKinsey & Company and a key-note speaker at the Council's Energy, Business, and Society Forum in late 2015, shares his insights into the capabilities he believes are and will be necessary for the energy industry.



Nowhere are the pace of change and the intersection of business and societal interests more evident than in the electric-power industry, where "the way electricity is produced, distributed, stored, marketed, and regulated is being transformed and a top-down, centr-

alized system is devolving into one that is much more distributed and interactive (Norbert Schwieters and Tom Flaherty, *A Strategist's Guide to Power Industry Transformation, strategy+business*, July 29, 2015)." Power consumers now have options for how the power they use is produced, delivered, stored, and managed.



Power games

First, the capabilities required to win will be very different from today's, states Antonio Volpin, and not every company will be able to adapt. However, he continues, the winners will be much more diverse, innovative, and dynamic organizations than yesterday's utilities.

Two capabilities that are fundamental to the energy industry today will continue to be so in the future, but in an expanded way. On the one hand, the ability to build and operate huge infrastructures safely, reliably, and efficiently will continue to be necessary. However, he notes, in addition, energy companies will have to learn how to build and install small-scale repeatable projects at low cost - the skills necessary to be a great solar installer are very different from the skills necessary to build a giant coal plant. On the other hand, developing and maintaining good relationships with regulators and governments will remain very important, particularly as more and more utility revenues become regulated. In addition, though, concludes Antonio Volpin, utilities will need to understand and deal effectively with public opinion in order to anticipate trends beyond regulatory rules.

May the force be with you: Energy goes personal

Volpin reveals that alongside these existing capabilities, there are five fundamentally new capabilities that energy companies will need to develop. The first of these is that companies must understand users' needs in order to build customized solutions. The widespread diffusion of distributed generation, storage, and demand-management devices means that customers will want customized solutions for specific energy needs, states Volpin, and most of the value will be created around the consumer. For example, customers with rooftop solar panels may be better served by on-site storage, rather than getting the additional power from the grid. Utilities will have to be able to manage supply-and demand-side resources together versus supply only, as is the case today.

Riding the big data wave

According to Antonio Volpin, a fundamental skill that is going to be a source of competitive advantage, if not a "ticket to play" in the industry, will be the ability to analyze data in order to make better decisions. According to McKinsey research, utilities could own the largest sets of data about their customers and their infrastructure, but currently they are among the ones that extract the least value from those data. This, insists Volpin, needs to change.

Hooked up to the bigger picture

In an industry that is becoming more global and more regulated at the same time, understanding and continuously monitoring macroeconomic risk will become absolutely instrumental. This will help utilities anticipate regulatory shocks, like the retroactive cuts of incentives to renewables that happened in Europe after the economic crisis hit the financial resources of governments and taxpayers, states Volpin.

Switching on, switching off – at short notice

Willingness to launch new businesses and technologies, he continues, even when cannibalizing existing businesses (e.g., solar versus large generation, or storage versus just about anything) will be essential. A necessary precondition for this, he insists, is the constant reallocation of capital across opportunities and geographies. Gone are the days of decades' long strategic plans. Nowadays energy companies have to review their choices on a continuous basis and be prepared to shift resources at very short notice.

Let there be money; and there was light

Financial skills will become a source of distinctiveness. Financing will increasingly become a key success factor in winning both new customers, for example to provide capital at affordable cost to finance solar panels, and big tenders to build new infrastructure.

The energy landscape is changing in a totally unprecedented way, concludes Antonio Volpin. In the energy sector of the future, consumption and production will blur with each other, and there will be much less investment in huge centralized infrastructure and more in small-scale assets and data management.



Antonio Volpin



HOW HYPOCRISY AND FACADES CAN BE GOOD FOR PEOPLE, PLANET, AND PROFIT

By Charles Cho

Former ESSEC Professor Charles Cho takes the Council on Business & Society on a journey into corporate sustainability: when something that is not quite right can be made to burn a brighter light.



Of organized hypocrisy and organizational façades – the beneficial paradox

The theories of organized hypocrisy and organisational façade – that contradictory societal and institutional pressures in essence require organizations to engage in hypocrisy and develop façades – seem to support the assumption that sustainability is just talk, but Prof. Charles Cho and his colleagues' publication of an article in Elsevier in 2015* seems to advocate that these can be beneficial. How is this paradox explained?

If corporate sustainability is indeed "just talk", then it can also be beneficial in that such talk may create space and stimulation for organizations to work with areas in/for which they are currently weak. Moreover, the talk may also create expectations, which the organization subsequently seeks to live up to. A closer look at the theory of organized hypocrisy leads Prof. Charles Cho and his colleagues to discern positive offshoots: "Aspirational talk is distinguished from lies in that aspirational talk is publicly visible, includes ideals that generate expectation of future action, and intends to stimulate organizational change. Thus, this form of hypocrisy is intended to mobilize actions that are congruent with some future talk. Brunsson (2007) states that explicitly articulating organizational goals in areas viewed as weak is not unusual. Indeed, the public display of these goals admits that relevant actions have not satisfied certain stakeholder interests, thus closing the chronological distance between decisions and actions." (P.84, Organized hypocrisy, organizational façades, and sustainability, 2015)

However, whether organized hypocrisy organizational façades are also beneficial for the broader society is debatable (P.91). Christensen et al. (2013) argue that aspirational talk could provide a way through which new ideas are born, and Abrahamson and Baumard (2008) purport that organizational façades may allow needed space for organizations to innovate and improve the realities of their contributions to society. Brunsson goes on to talk about how aspirational talk allows society to keep from admitting a moral failure as well as an environmental/social failure. The brutal truth is too difficult to grasp. Energy companies cannot say that they don't care if they ruin the environment and promote adverse climate change. In other words, if we think better of ourselves, we may actually, eventually improve our actions to become more "moral" and consequently more concerned with planetary sustainability.

*Organized hypocrisy, organizational façades, and sustainability reporting by Charles H. Cho, Matias Laine, Robin W. Roberts, Michelle Rodrigue, issue 40 of Accounting, Organizations and Society, Elsevier 2015 (see below).

A pretty picture: beyond the green scenery and onto slippery slopes

Corporations, therefore, are prone to erect rational, progressive and reputation façades that are defined and executed through various means of corporate initiatives and communication, thus creating a bucolic picture of their business and willingness to include people and the planet in their activities. There are many independent auditors and government bodies keeping a watch on the landscape, but do they see beyond the glowing picture and do companies take notice?

The initial answer must be - not really. Corporate sustainability disclosures are to a large extent voluntary, and despite the slow diffusion of sustainability reporting assurance, such processes remain relatively light. There again, NGOs and other stakeholders do indeed question and highlight possible discrepancies between a corporation's talk and action in public. However, this may be a very dangerous and slippery slope, not least because there is a growing movement towards a focus on investors as the main audience for sustainability reporting. For example, the SASB (Sustainability Accounting Standards Board), and the GRI (Global Reporting Initiative) among many are now becoming interested in how the destructive planetary sustainability activities translate organizational financial risks. Materiality has become a key rationalization for immoral activities. Is it material to a multinational company's sustainability report if that company employs "only" 1000 child laborers or destroys "only" 1000 acres of pristine habitat?

Can society understand or forgive?

All corporate stakeholders make their own assessment of the most important sustainability issues of a corporation be they human rights, environmental protection, or diversity in the workforce and make requests to the corporation in this respect. Prof. Charles Cho et al argue that erecting different façades is the corporate response to the multiple, various, conflicting stakeholder demands faced by corporations with respect to sustainability issues. Should civil society understand or forgive or should the people raise awareness about this? Prof. Cho and his fellow authors argue for awareness. The more we raise awareness on these issues, they state, the better the chance that firms improve their sustainability management by taking increasing numbers of issues into consideration... although, they add, we do recognize there is some level of idealism involved here.

People, planet or profit? Can businesses do all three?

To what extent is corporate growth — indeed the necessity for sustainable business growth — hindered by the pressures to own sustainable development policies? Can there be a win-win or does one necessarily



dominate the other? Prof. Cho and his colleagues answer by stating that corporate growth is not by definition in contradiction with sustainability policies and practices (although global economic growth may well be, especially if based heavily on carbohydrons). There is, for instance, a steadily growing segment of consumers who are readily paying premiums for environmentally less harmful products and thereby supporting organizations with advanced practices.

To a certain extent, however, this argument depends on the industry in which the organization operates. There are industries, for instance those relying on coal and oil, which do not go well together with long-term planetary sustainability. Looking at the global stock markets and indexes, it seems that taking environmental issues into account does not necessarily make a corporation lose out in terms of stock price. On the other hand, Charles Cho and his fellow authors would argue that in general, large corporations are primarily (or only?) concerned with business sustainability—a rational façade. Take Coca-Cola for example—it takes 3 liters of water to make one liter of Coca-Cola. They help dig water wells in Africa, find ways to reduce water consumption per liter of Coke, invest in biodegradable bottling, etc. That said, their overall absolute consumption continues to climb as they focus on growth in consumption. Are they more efficient? Yes. Is planetary sustainability improved? No.

Does it pay to be honest?

To what extent does it pay to be honest in terms of corporate sustainability reporting? As information tends to spread so much faster than before, the reputation risks that relate to greenwashing have increased, something that was observed in many corporate reports especially in the 1990s. As Groucho Marx said: "The secret of life is honesty and fair dealing...If you can fake those, you've got it made"

This said, corporate sustainability reporting is here to stay and it will continue to develop. Stakeholders require information about increasingly organizations are doing in terms of economic, environment and social issues, and how their policies are developing. It is worth re-stating that corporate sustainability reporting as a whole is a relatively recent phenomena and that it has already developed substantially in a short period of time. Moreover, reporting will continue to advance the core mission of large corporations. The use of each façade will be strategically and wisely determined. It is up to civil society to demand more authentic accountability from the corporate sector through regulations that advance planetary sustainability.

Solutions for a win-win for business and society

What solutions for the future exist for both business and society to benefit from corporate sustainable development? A direct, if drastic, first reply might be the

banning of oil and coal and the development of a real full price accounting system, which would internalize most of the externalities to prices. Short of this, and as a wider, pragmatic option, international agreements and action plans are required on several fronts, for instance with climate change and marine ecosystems, with the protection of the ozone layer being a good example here. Moreover, increase in societal awareness, which will result in further stakeholder and shareholder pressure on organizations, is needed.

From a micro perspective, however, it is not really possible to provide a solution at the organizational level through reporting, standard setting or enhanced voluntary reporting. In essence, and something that would constitute key leverage for positive win-win transformation, the fundamental definition of corporate accountability must be changed to internalize its responsibilities beyond shareholder wealth maximization.



Professor Charles Cho





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INVESTIGATING THE IMPACT OF GREENSPACES ON WELLBEING AND PERFORMANCE

By Ingrid Nappi-Choulet

Research conducted by Prof. Ingrid Nappi-Choulet and the ESSEC Chair for Real Estate and Sustainable Development sheds new light on the importance of green spaces and biodiversity in the business sphere.



Today, it's widely accepted that work space layout can impact the productivity and well-being of employees. Indeed, a growing body of both quantitative and qualitative studies have illustrated this point: from the employee's perspective, studies have shown that workspace is increasingly seen as an essential contributor to quality of life at the office. The study My Office of Tomorrow, conducted in 2013 by the ESSEC

Real Estate and Sustainable Development Chair, has furthermore shown that some 40% of students would be willing to turn down a job offer if work environments failed to meet their expectations.

However, work space planning brings many different factors into play: but while some of these factors have been closely examined by researchers, others have not.



On the one hand, experts have focused a great deal of their attention on the impact of co-working spaces and open-plan offices, as well as examined the value of horizontally structured firms aimed at reducing the physical distance between hierarchical layers. On the other hand, the impact of nature and biodiversity on team performance has been subject to comparatively little research. That said, the idea that the latter could play important roles within firms is no longer such a farfetched idea: depending on how well a space lends itself to it, greening projects can have an important impact on a firm's brand image and attractiveness.

Workplace initiatives: so far green – but growing

Until now, "greening" the workplace has often been reduced to its simplest form – a few ferns within offices, a bouquet of flowers at reception, and maybe a small lawned area out front. Meanwhile, the reasons and ways to incorporate more nature into real estate projects are multiplying. First and foremost, research has shown that even just a simple view with a few trees can increase feelings of wellbeing at work. A view can even have a direct impact on health: in 1984, Roger Ulrich showed that, in a hospital, patients enjoyed shorter convalescent periods if they had a view of nature from their hospital beds. More surprisingly, one study found that wooden office furniture, or even furniture that simply reminds one of nature (chairs that look like leaves, for example), can have a positive impact on the wellbeing of employees.

That said, physical access to nature has extra added value and offers a real lever for improvement for those companies whose green spaces are currently more symbolic, like an inaccessible patch of grass near the front entrance or in an interior patio. Campus-style offices, by virtue of their horizontal structure and proximity to large landscaped areas, offer important opportunities along these lines. Indeed, these campus-style firms are free to consider the possibility of giving employees access to green spaces not only for relaxation purposes, but also for work-related purposes, thanks in part to the digital revolution.

Businesses: a question of planting the seeds

But the challenge is also for companies to become aware of their possible contribution to the greening of cities, especially within the world's major business hubs whose density can impede other greening initiatives. Indeed, the survey My City of Tomorrow, conducted by the chair in 2014, showed that 42% of students would be willing to turn down employment in a city where nature is not present enough. In addition, some workspace design professionals are trying to bring nature into office spaces. Take for example the landscaping firm Jardins de Gally, which has developed the concept of the fertile

office (bureau fertile) by designing furniture items featuring plants, small ponds, and even trees.

The subject of biodiversity has been even less visible from a business perspective, viewed by firms as being too far removed from their day to day activities. That said, ensuring the diversity of plant species creates value both in terms of sustainability, and in terms of attractiveness, even if employees have no particular interest in biodiversity. This recreation of natural ecosystems within corporate green spaces can also have an educational dimension with the help of a few information panels. Forward-thinking firms have even invited employees to participate in the management of vegetated areas and share in the harvest (honey, fruit trees, herbs, etc.). This type of participative approach can greatly increase an employee's sense of belonging within a firm. It also gives employees a greater sense of responsibility, where their personal and professional lives overlap. Obviously, "greening" potential varies, depending on the type of company in question, as well as the spaces at its disposal. It's important to note, however, that greening is never impossible, even for firms located within dense urban environments or built on small parcels of land. In addition to interior spaces, roofs have a significant potential which is almost always undervalued. Two-thirds of students in the survey My City of Tomorrow were receptive to such practice, even though the green roof, as a concept, is still in its infancy. Initiatives like these offer smart solutions to the problematic question of greening the densest cities. Furthermore, they can become an innovative element of a firm's CSR policy. Finally, when green roofs are made accessible to employees, they can also contribute to well-being.

It's important to keep in mind, however, that employee access usually impacts the technical and economic aspects of the project, for obvious safety reasons. Nature and biodiversity therefore have a key role to play within corporate real estate. By investing in green spaces around offices, on their roofs, as well as within the workspaces themselves, firms are directly contributing to employee well-being and productivity. Companies have a real incentive to take action and impact both their sustainability and attractiveness.

Singapore: a model green city in Asia?

If one can speak of the emergence of a global revegetation process for large cities, some regions are further ahead than others. Asia in particular is complex in this regard because its cities include both pioneering hubs of sustainability, and heavily polluted mega-cities. It's no surprise that only 0.1% of students interviewed for the study My City of Tomorrow would dream of living in Shanghai or Beijing. Singapore (0.8%) and Tokyo (1.7%) were slightly more attractive, but by no means popular choices. Indeed, Chinese cities are regularly the subject of negative media attention because of their astronomical pollution levels. In a country that once dreamed of building a modern and harmonious society,



their urban development model has now reached a deadlocked.

Even as smart city projects multiply in the region, none are truly compelling — and some have already been abandoned and turned into ghost towns. This is worrisome considering that their aim was to attract both business and talent. However, one shining example of success is Singapore, which is trying to establish itself as the model green and sustainable city in Asia. Because of its extreme density and despite the scarcity of available land, this city-state has established itself in recent years as the model green city. Many projects have been launched to develop vertical biodiversity and urban agriculture, which has earned it the handle the "garden city". Today, Singapore is recognized as one of the most desirable cities in which to live — ranked in 2015 as 1st in Asia and 26th globally by the consulting firm Mercer.

Today, Singapore continues to lead innovative projects and impose voluntary regulations so that green spaces occupy an increasingly important place within the city. In 2011, the city launched its "A city in a garden" initiative, which added to measures taken back in the 1960s. Today, two flagship projects are particularly well publicized. The first, called "Sky Greens" (the name of a company specializing in food technology) consists of 120 "towers" of urban agriculture, inaugurated in October 2012. This project consists of nine-meter high aluminium greenhouse structures which grow lettuce, spinach and cabbage. The devices, which have never been used before, have garnered a lot of positive attention for their high productivity and low water consumption: an impressive 500 kg of vegetables per day at "cruising speed".

The second, called "Gardens by the Bay", was inaugurated in June 2012 and focuses on the district of Marina Bay at the mouth of the Singapore River. Here, 100 hectares of land have been set aside, where the plan is to combine ecology and entertainment, thanks to two major attractions: two gigantic glass domes housing two iconic ecosystems of biodiversity, and twelve "Super trees" — futuristic artificial trees inspired by tropical species.

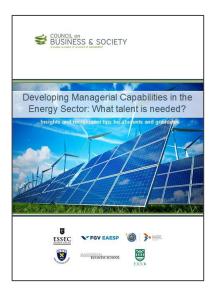
New laws also contribute to greening the city-state. For example, any real estate project must include a certain number of square meters of green space, usually equivalent to the footprint of the project. Renovations also fall under this law, and consequently green spaces are multiplying exponentially. Singapore is a business hub, with innumerable office towers. Therefore, there is no doubt of the government's commitment to greening their city — a commitment which will ultimately have a positive impact on the wellbeing of local populations, as well as the global environment.



Professor Ingrid Nappi-Choulet



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DIVERSITY





Impact articles

HOW LARGE IS THE ARENA FOR FEMALE ENTREPRENEURS?

By Jinyun Sun

Professor Jinyun Sun of Fudan University, China, shares research findings into the increasing impact and presence of women in Chinese business and leadership.



According to the co-research project by Fudan University and the Bank of Communications, twice as many female entrepreneurs of SMEs engage themselves in the service sector as opposed to the manufacturing sector. Female entrepreneurs in developed regions are more capable of handling political relations than their male counterparts.

Doing themselves a service

In today's China, we see women are gaining the upper hand in higher education and it is more likely for them to take over leadership positions in government and industry. Free competition in the market motivates women to establish their enterprises and fight tooth and nail to make it work on their own. Fudan University and the Bank of Communications jointly issued a report



recently on the tendency of female entrepreneurs, the industries they choose and their areas of specialty.

The survey shows that female entrepreneurs account for 14.2% of the total samples and they account for 9.6% in the manufacturing industry and 18.4% in the service sector. The reason for such a distribution, according to Jinyun Sun, head of the project, is the comparatively lower threshold of entry in the traditional service industry in terms of capability and resources. The mentality of risk-avoidance and "play it safe" has driven female entrepreneurs to start up in service-oriented industries.

The survey also indicates that amongst the sampled female entrepreneurs, 19.4% are based in Southwest China — the highest in terms of geographic distribution, which is followed by the Central, Northeast and South China with respective proportions of 16.5%, 16.5% and 16.2%. The Northwest and East China regions have rather low proportions of female entrepreneurs, both at 7.9%.

Fewer assets, just as much profit

It is also revealed that female-led enterprises tend to have smaller total assets than their male-led counterparts. This trend is also evident in the number of employees in the enterprises, especially the manufacturing industry. The dual roles of entrepreneurs and women as well as social norms on genders have constituted both internal and external constraints which limit more women from entering the service and manufacturing industries in China. However, there has been no evidence that female entrepreneurs are inferior in regards to making profits according to the statistics of the survey.

A key advantage for Chinese women

The more developed the region is, the more effectively the market operates and the less important the relevant relationship assets are. Studies have proven that gender does have a prominent impact on a business's management of external relations. Female entrepreneurs' feminine traits of gentleness, warmth, sympathy and patience plus good communicative skills have given them an advantage in establishing rapport with government officials over their male counterparts.

Thus, female entrepreneurs in developed regions are more capable of handling political relations than their male counterparts, whereas male entrepreneurs in under-developed regions are more capable of dealing with economic relations than their female counterparts.

Jinyun Sun points out that businesses should always strike a balance between the maintenance of economic and political relations during their different

developmental phases. Each business will have to develop its own set of management concepts and methods in regard to such relations, based on its regional economic environment, available resources and the personal traits of the entrepreneur.



Professor Dr Jinyun Sun



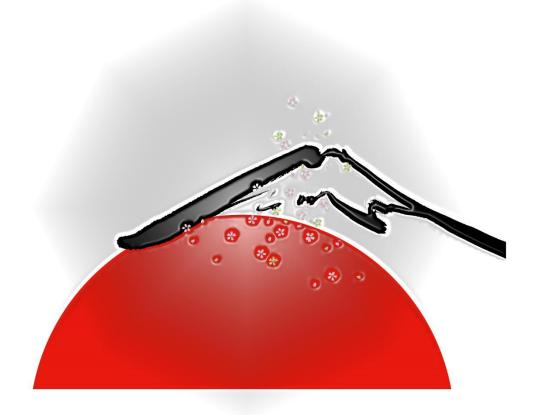


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JAPAN AT THE FOREFRONT OF HYPER-AGEING SOCIETIES: OPPORTUNITIES MORE THAN BURDENS

Based on Genki Oka's speech at the KBS Tokyo Forum on 'Health and Healthcare'

While the phenomenon of ageing societies often provides a foundation for debate on increasing costs and strain on meeting employment requirements, business and society should not forget that an ageing population is also an opportunity that is multi-faceted in nature. At the forefront of hyper-ageing societies, Japan provides a telling case study for its reactivity in terms of solutions and mindset towards the elderly. Keio Business School and McKinsey & Co. share their insights.





All of the participating countries in the Council on Business & Society's 2014 Tokyo Forum were ageing societies – even Brazil, where by 2050, 30% of the country's population will be at least 60 years old. All of the three Forum themes at that event – Healthy employees, Healthy organizations; Technology and Management Innovations in Healthcare; and Challenges: Who pays for Healthcare and how is it Supplied? – are powerfully influenced by this unprecedented sociodemographic phenomenon.

Issues and opportunities

By focusing on Japan – the country at the forefront of the world's hyper-ageing societies - best practices can be drawn and many lessons learned that can be used to address issues in other countries. Currently, 1 in 4 people in Japan are over 65 years of age. By 2030 this will rise to 1 person in 3. Japan is expected to face a serious labor shortage in terms of sustaining GDP growth, leading to an increasing war for talent, and with the ageing of the workforce leading to increasing leaves of absence due to illness. Businesses see this as both an issue they need to address – and as an opportunity. The human resource implications are that companies need to value and utilize the contribution of every generation, promote the exchange of expertise and experience, and consider innovative HR policies. Advanced companies have already developed tailoring models to retain talent.

Needs indeed

For the healthcare industry, the growing elderly will population mean increased requirements including care services pharmaceutical solutions. However, the increasing number of elderly also creates significant opportunities to address currently unmet and future needs in Japan. These needs include home healthcare, day-care services, and monitoring services to ensure that the elderly are, for example, taking medications property. The last issue, although seemingly simple, is in fact of particular complexity - compliance with physician instructions and adherence to healthy lifestyles is highly problematic with many elderly persons. This is so especially in the case of single-person households, where the very elderly often do not correctly follow their medication (or other medical) instructions, or completely forget or refuse to take their prescribed medications or medical services.

All of these problems are already very common in Japan, and their prevalence is increasing.

In daily life with the elderly Japanese, emerging themes include relieving anxiety and loneliness, effective use of time, and alternatives to maintain youth. Successful products and services targeting the elderly have unique aspects, such as a shoe design that prevents falls and is easy to put on, or housekeeping services companies doing chores and talking with elderly customers.

Getting it right

In the context of hyper-ageing society, there are several factors to be taken into account that include the avoidance of labeling seniors as "old people". Indeed, elderly people are not "old" except in a relative sense and might certainly be viewed as potentially "young" (as in "new") consumers": customers that have specific needs requiring tailored solutions and who are contributors to building a stronger and more sharing society. Moreover, needs must be tailored to the individual and in great detail as well as the provision of combining creativity with sense of security. These contribute to forming a closely-knit elderly community with a higher degree of control and autonomy over their lives. From the business perspective, the ageing population represents a segment to cater for – it should always be kept in mind that, if their special needs are catered for correctly, these clients have the potential to become extremely loyal repeat customers. Ageing society can be seen as an opportunity rather than a burden, with many new requirements open to cater for service and associated healthcare solutions.



Genki Oka, Partner, McKinsey & Company, Tokyo Office



MAKING GENDER DIVERSITY WORK

By Stefan Gröschl

Stefan Gröschl, Professor of Management, Diversity and Inclusion Strategy Consultant and Co-founder of the Chair of Leadership and Diversity at ESSEC Business School, takes a critical look at the current gender diversity debate and provides suggestions to make gender diversity and inclusion more effective at the workplace.



The gender debate starts too late in life

recently had to buy a birthday present for a friend's seven year old daughter. I went online to see what seven year old girls are interested in. One of the first images I found when conducting a 'girls toys' search was of a girl dressed in pink standing beside a replica of a cooker. By pure curiosity I also

searched for 'boys' toys' and there found a picture of a boy dressed in blue working overalls and standing next to a tool box. The two images illustrate how the development of our social constructs and categorizations of men and women and their roles in society seem to be influenced at a very early stage in life. Yet, much of the gender diversity debate has been focusing on educational



and in particular workplace related aspects – stages in life when stereotypes patterns and categorizations are well developed and very difficult to reverse or eradicate. The gender debate starts at a period too late in life, and this might be one reason why the gender debate continues to experience great challenges and barriers when introducing and developing gender diversity and inclusion at the workplace.

Despite numerous quotas and targets for female managers to rise to the top and into boardrooms, and despite a number of success stories of 'women who made it' and countries which achieved boardroom gender equality, the global figures of women in decision-making positions remain chastening. The most illustrating and recent example has been Donald Trump's picks for his cabinet and White House positions which include five women and 21 men. In Europe, the latest EC study of the 613 largest publicly listed companies across its members' states showed that 5 % of female executives held CEO positions and 15 % of women held other executive positions. At a non-executive level, female representation stood at 25 %

Focus on what really matters

One of the reasons why women continue to be under-represented in top executive positions is not only the struggle with the well-established stereotypes and gender roles developed as early as in childhood, but also by reducing and generalizing the gender debate and policy making to boardroom compositions. The different types of boardrooms (supervisory boards, executive boards, and unified boards), the differences between public and private boards, the differences between boards that exist in different legal contexts, and the limited influence boards have on the day to day business can make the general gender debate somewhat complex and futile.

Another key reason for the struggle of gender equality and inclusion is that the gender debate is often and largely a debate amongst women about women for women. This has translated into company diversity initiatives which are often spearheaded by interests groups pushing for the interests and promotions of their members — whether they are women, people with disabilities, or people with different sexual orientations. Interest groups that include non-disabled, white and middle aged men are rare. The latest research has shown that with such diversity structures in place companies create silos in their

organizations that are of an excluding nature, competing interests and disconnected from each other.

Organizational diversity initiatives and structures which hinder intra-organizational gender dialogue have been influenced by movements and dynamics external to the organizational context. For example, the demands by feminist activists in Germany to use a suffix such as -x in the German language (Professx, Doctorx, etc.) would create more artificial barriers than helping to develop and open constructive inter-gender dialogue. Decisions in Germany's capital Berlin to no longer name new streets with male names until half of all streets carry a female name, distract from more fundamental and imminent barriers and challenges that prevent or slow down the progress of gender equality and inclusion within society as a whole and organizations in particular.

Re-vamping gender diversity and inclusion

There is no doubt that we need greater diversity in all its forms in our institutions and organizations, and different leaders and decision makers who address our complex socio-economic and environmental challenges in a more responsible and sustainable way than many of our past leaders. But where to start when one considers Edgar Morin's one cannot reform the institutions without having reformed the individual mind, and you cannot reform the individual mind without having reformed the institutions?

Propositions for creating initiatives that support greater gender diversity and inclusion at the workplace:

- As with many other company-wide programs and activities, gender diversity and inclusion initiatives benefit from strong leadership involvement and a diversity strategy that is well integrated in the overall business strategy. Shift the focus of the gender discussion from the boardroom to all executive management levels. At the same time, do not hesitate to engage in small scale, informal activities which can encourage a snowball effect.
- When initiating gender diversity programs, keep in mind that there might be a risk that these programs reinforce stereotypes, and that by creating groups you may

alienate and/or create opposition amongst those left-out. Inclusion is imperative in the development and implementation process. Diversity as the source and vision provides the foundation, inclusion as the process ensures accountability and sustainability.

- When considering that society shapes us and we create society then engage in gender diversity and inclusion initiatives beyond the workplace. Other diversity forms such as disabilities and integrative kindergartens exemplify how diversity and inclusion can start at an early stage in life.
- o Recent research has shown that strategies for formally controlling bias often show limited success and do not reach their goal of promoting equal opportunities. The recommendation would therefore be to avoid making gender diversity and inclusion either a forced or ad hoc initiative. Move away from labelling your actions and activities with 'gender diversity' name your initiatives by their objectives.
- If you introduce programs that challenge any gender bias, then extend the focus of your training to the whole individual. Understanding others begins understanding oneself. Focus on a human understanding that goes beyond intellectual understanding explanation, and also beyond objective knowledge. Human understanding is about empathy, identification, projection; and it demands openness, sympathy, and generosity. With such competencies and skills, a more inter-gender inclusive dialogue can start within and beyond organizations.



Professor Stefan Gröschl





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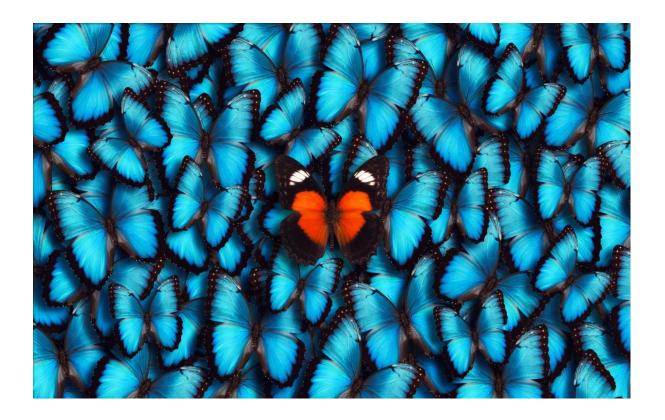
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