



COUNCIL on BUSINESS & SOCIETY

GLOBAL VOICE MAGAZINE

The role of business schools in bridging the income divide

AI and the resurgence in the art of rhetoric and composition

Where ESG doesn't pay off

What managers need to ask before adopting AI tools

Regenerative business models for profit, sustainability, and social responsibility

LEARNING IS A JOURNEY: RIDE WITH STYLE



An alliance with a purpose



THE COUNCIL ON BUSINESS & SOCIETY

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

**THE SCHOOLS THAT MAKE UP
THE COUNCIL ON BUSINESS & SOCIETY**



ESSEC
BUSINESS SCHOOL



FGV
EAESP



SCHOOL OF MANAGEMENT
FUDAN UNIVERSITY



ie
BUSINESS SCHOOL



KEIO BUSINESS SCHOOL



Smith
SCHOOL OF BUSINESS
Queens University



Stellenbosch
Business School



Trinity
College
Dublin
The University of Dublin






wbs
WARWICK BUSINESS SCHOOL
THE UNIVERSITY OF WARWICK

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

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

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

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

**DEAN LUIZ ARTUR LEDUR BRITO,
FGV-EAESP, BRAZIL**



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



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

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

**DEAN LEE NEWMAN,
IE BUSINESS SCHOOL, SPAIN**



"IE Business School's mission and purpose are based on the pillars of academic excellence, innovation and entrepreneurship, technology, social responsibility and internationalisation. At IE we firmly believe in the power of the entrepreneurial mindset to change the world for the better. We will keep encouraging students through the IE initiatives to explore social innovation and entrepreneurial challenges with special emphasis on unconventional approaches to enduring social problems."



**DEAN YU SAKASUME,
KEIO BUSINESS SCHOOL, JAPAN**

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

**DEAN WANDA COSTEN,
SMITH SCHOOL OF BUSINESS, CANADA**



"It's not enough to simply graduate good corporate citizens. We must prepare students to be leaders who understand their role in society regardless of the sector they choose to work in: business, government, entrepreneurship or not-for-profit. At Smith, we are developing an impact mindset to help our students change the world."



**DEAN MARK SMITH,
STELLENBOSCH BUSINESS SCHOOL, SOUTH AFRICA**

"At Stellenbosch Business School we pride ourselves on our commitment to responsible leadership through teaching, research and social impact. We are committed to making a difference throughout our local, national and international ecosystems and proud to be members of the Council on Business & Society."

**DEAN LAURENT MUZELLE,
TRINITY COLLEGE DUBLIN BUSINESS SCHOOL, IRELAND**



"Located at the heart of a world-renowned university in the centre of Dublin, a European capital city and hub for global business, Trinity Business School is committed to "Transforming Business for Good" and ethical leadership. We enable our Faculty, students, and graduates to focus on their moral compass throughout their career and create a better planet, economy and society for future generations."



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

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

CAN BUSINESS DO GOOD FOR SOCIETY? WE BELIEVE SO.



VINCENZO VINZI
Dean of ESSEC Business School,
President of the Council on Business & Society

We are pleased to present you with this special summer issue of Global Voice magazine. It brings together the incredible talent of our students to feature alongside our faculty articles, based on top research. Through this publication, the nine schools that make up the Council on Business & Society hope to make light on major business, society and planet issues, from distinct, local perspectives – as the schools operate in 11 countries across all continents: France, Singapore, Morocco, Brazil, China, Spain, Japan, Canada, South Africa, Ireland and the United Kingdom.

The Council on Business & Society is coordinated at ESSEC Business School, a leading French higher education institution which has strived for excellence in training business leaders since 1907. True to its humanist roots, the school advocates for more responsible leadership and business practices in the face of the economic, ecological and social issues of our times. We recognize that the fight against climate change constitutes the most critical challenge facing humanity, and taking on that fight requires deep changes within business schools and a willingness to reconsider the role of

organizations and their impact on the planet and on society. In conjunction to this growing awareness, the responsibility that business leaders take on in their companies and organizations has intensified dramatically, especially in the last decade.

As a business school training some of these leaders and influencing their practices through research, ESSEC must transform itself to be aligned with these new needs.

This is why we launched a major social and ecological transformational initiative called Together, three years ago. This holistic approach embarks all our students, faculty, collaborators and stakeholders. It affects every dimension of our school, from education, research and training to campus operations and partnerships development. We aim at providing solutions to environmental challenges, fighting against social inequalities and creating positive local development models. This means training 100% of our students and participants on social and environmental challenges, making our campuses carbon neutral, strengthening our social diversity and anti-discrimination policy, and committing to regional alliances – among many other initiatives.

We have already achieved significant transformations. On the education side, since September 2020 the 2,100 students enrolled in undergraduate and graduate programs take a compulsory 20-hour course on climate change and a 15-hour training course on social responsibility. Core courses in management (strategy, accounting, finance, management control, marketing, economics, etc.) have also evolved so as to include an ecological and societal dimension. In our executive education programs, all participants are offered the possibility of taking the new modules on climate issues and social responsibility.

As far as our campuses are concerned, the initial objective to reduce CO2 emissions by 25% is set for the end of 2023. This will be achieved by combining several actions: renovating the oldest and least energy-efficient buildings, improving the heating system on our French campus, shifting to green sources of energy, launching a major campaign to raise awareness of

eco-gestures... As a global school with international campuses in Morocco and Singapore, traveling is the first item in ESSEC's carbon footprint. We are working on reducing the frequency of airplane travel for our community to lower this impact.

I believe that action is the best defense against discouragement. Ultimately, our transformational strategy is a testimony to our acute mindfulness of the severity of the situation and to our confidence in our collective capacity to find solutions and new managerial practices that promote a fairer, more sustainable and inclusive world.

What is absolutely encouraging is that we are not alone in this endeavor. Eight other leading international business schools, known for their excellence in education and research as well as their commitment to responsible leadership and sustainability, are part of the Council on Business & Society. Since 2011, we have been exploring ways to contribute to the common good and sharing insights with our ecosystem. Our collective action is rooted in our common values: excellence, diversity, discernment, responsibility, courage. Our expertise is in education and research, as well as innovation, entrepreneurship and cooperation. Our mode of operation is diverse and leverages our extensive presence worldwide: through faculty exchange, global forums, student mobilization, research and knowledge sharing (this publication is one of our channels), our alliance is able to deliver its purpose and have a positive impact on business and society.

Global Voice is a magazine for those committed to making the world a better place: professors, trainers, students, academia professionals, policy-makers or those of you who share the belief that we can act through knowledge. Whether you are in one of the 11 countries where the CoBS member schools operate or anywhere we have a leading role to play, the simple fact that you have picked up and opened this magazine already brings us together and paves the way for an even greater action.

We hope you will learn so much from it and enjoy!



Enlighten. Lead. Change.



DON'T WAIT TO LEARN AGAIN

ESSEC EXECUTIVE EDUCATION

MBA & EXECUTIVE MBA
100% TAUGHT IN ENGLISH



<p>GLOBAL MBA Full-time Duration: 12 months Average age: 30</p>	<p>ESSEC EXECUTIVE MBA Part-time, Weekend Format Duration: 18 months Average age: 37</p>	<p>ESSEC & MANNHEIM EXECUTIVE MBA Part-time, Modular Format Duration: 18 months Average age: 40</p>
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WITH AN MBA AT ESSEC

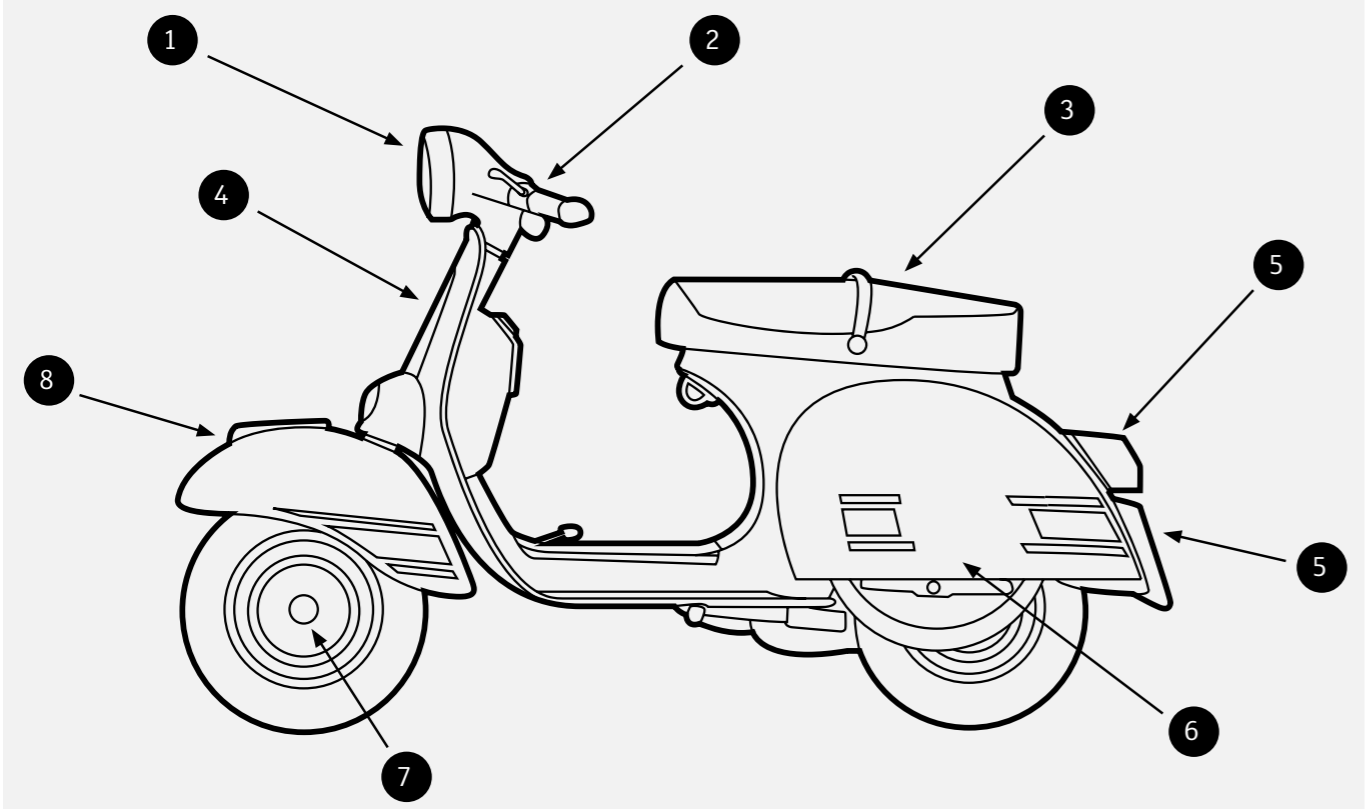
- Become a responsible Leader
- Enhance your leadership and management skills
- Develop a 360 degree view of business
- Create and develop a valuable and lasting business network
- Start your own business

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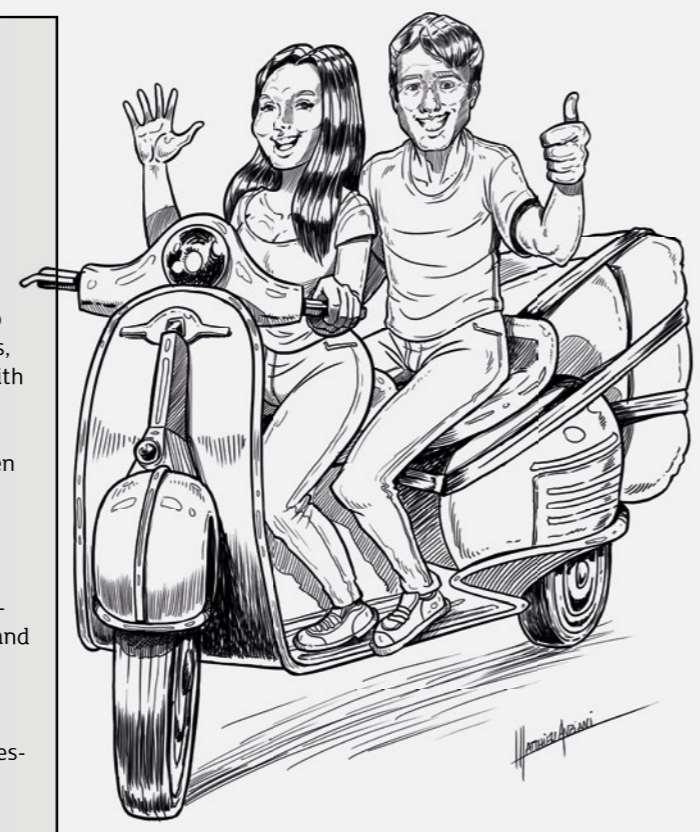


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Learning is a Journey: Ride with style



- 1 Positive purpose: Earn a salary, contribute to society and planet, create new worlds, bring value, start a business.
- 2 Pace not race. Use the sprint and stop only when necessary.
- 3 & 4 Balance: good health, good water, healthy eating. Know when to chill out, know when to work hard. Shield yourself with friends, books, culture, solo time. For studies, mix science with arts!
- 5 Play by the rules and be proud of myself when I finally succeed after all the knowledge and effort!
- 6 Mindset: Everything is interesting, any detail might make a big and positive difference, determination and resilience, respect others – and learn from them.
- 7 Soak up the shocks when the journey gets tough, accept setbacks to learn & savour milestones and victories.
- 8 Take the road with head & heart, enjoy the journey!



/EDITORIAL

In these times of massive travel, we may have the impression that wherever we go in the world, airports, hotels, and tourist attractions are more or less the same. While we may come back home relaxed, chances are that we did not discover much new. We only passed through varieties of the same travel experience.

involves many different, sometimes competing viewpoints. As a further complication, sustainability is a moving target. Oftentimes, new perspectives appear, new guidelines are developed and new challenges arise. And students still need to cope with that complexity, make sense of it, and learn how to make decisions.

However, true travel is different. A long time ago, travelling was sometimes a risky endeavour, taking long periods of time, without a complete certitude of what would happen. More importantly, travelling implied a profound, life-changing change in the traveller. One came back as a different person. The expression remains today: a "well-travelled person".

As it was the case with Virgilio, we professors have to accompany our students, but at some point, we need to leave them on their own. Perhaps one of the toughest moments of the Comedy is the verse when Dante leaves his master forever. Dante is now a new master. He will miss Virgilio, but there is still a long way to go. Our students will eventually reach a criterion of their own, initially based on what we taught to them, and they will be able to go beyond, and hopefully do much better things that we did.

In literature, there are many examples for those great travels: Pigafetta's account of the first travel around the globe (with Magellan), Goethe's *Italian Journey*, and Kerouac's *On the Road*. However, the emblematic travel book remains the *Divine Comedy*. In that symbolic poem, Dante, who is lost in a jungle, is chased by two dangerous beasts. Dante saves his life thanks to his master Virgilio, who then leads Dante on a long trip, visiting mysterious places where no living person has ever been.

At the end of the poem, at the end of the travel, Dante realises that he has come back home. He once again meets the love of his youth. He reconciles with the faith of his childhood. Indeed, everything has been there all the time, only that he had failed to realise it. And, this is precisely what our students end up realising at some point. We always knew that a company is a community of people, that finance is necessary but not an end in itself, that clients have to be protected, that our economic activity has to serve some purpose beyond making a legitimate profit. We always knew those truths, only that we forgot them at some point. And suddenly, at the end of the travel, we realise that we are back home.

At a smaller scale, of course, I think that some of these travels happen in our schools, whenever we explore the never-ending challenges of responsible leadership and sustainability. We professors take the role of Virgilio, accompanying our Dante-students all over their learning, taking them beyond their comfort zone, challenging them, inviting them to think on their own. The path of learning is tough, students have to make a great effort, they have to rely on us masters for guidance and inspiration. Sustainability is broad, it



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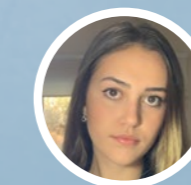
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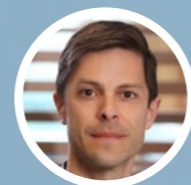
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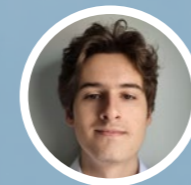
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/CONTENTS

EDITORIAL / 7
OUR CONTRIBUTORS / 8-9



BUSINESS & SOCIETY

15

AI: RESURGENCE IN THE ART OF RHETORIC AND COMPOSITION?
BY MICHELLE DIAZ

21

MIND THE GAP: THE ROLE OF BUSINESS SCHOOLS IN BRIDGING THE INCOME DIVIDE
BY SILVANA LEYVA

27

INTENTIONALLY BUT MISTAKENLY UNEQUAL
BY BUSISIWE RAPHUTHING

31

E-REFERRALS: WHAT IS THE IMPACT ON SOUTH AFRICA'S HEALTHCARE ECOSYSTEM?
BY TASNEEM MOTALA & NATASHA BLANCKENBERG

37

IMMINENT REVOLUTION: CHATGPT AS AN ALLY OR ENEMY OF UNIVERSITIES?
BY BEATRIZ AVRUCIK MAGALHÃES

43

THE STUDENT'S FRIEND, THE EDUCATOR'S FOE: DEBUNKING CHATGPT'S CONTENTIOUS ACADEMIC REPUTATION
BY EVA FITZPATRICK

49

DEGLOBALIZATION IS ANOTHER KIND OF GLOBALIZATION
BY LIJUN SONG

55

ACCOUNTING FIRMS: CAN THEY INFLUENCE COMPANIES' INHERENT MOTIVATION TO BE GOOD?
BY QINQIN ZHENG

59

BRAVE NEW WORLD – HOW CAN WE NAVIGATE IN THE NEW WORLD ORDER OR HAVE WE ALREADY SEEN IT ALL?
BY CÉLINE SOPHIE LÜDTKE

65

CHAT GPT – THE BIGGEST DISRUPTOR TO EDUCATION SINCE THE CALCULATOR
BY BRIANNA CAIRNS

71

THE COST OF INFLATION: A THREAT TO GLOBAL ECONOMIC GROWTH
BY QUYNH NGUYEN

75

BEYOND THE HYPE – WHAT MANAGERS NEED TO ASK BEFORE ADOPTING AI TOOLS
BY HILA LIFSHITZ-ASSAF

81

TOMATO SHORTAGE – A SYMPTOM OF INFLATION?
BY GRACE GOLLOGLEY

85

CHATGPT: REVOLUTIONIZING COMMUNICATION OR THREATENING HUMAN INTERACTION
BY ANA SOFIA BELLO

89

WHAT WOULD GALILEO GALILEI SAY ABOUT STUDENTS USING CHATGPT?
BY CAROLINA TONON CARDOSO

91

CHATGPT: A PARADIGM SHIFT FOR UNIVERSITIES?
BY AYMERIC THIOLLET

99

E MOTHER-DAUGHTER RELATIONSHIP IN JAPAN THROUGH THEIR FASHION CONSUMPTION
BY JUNKO KIMURA & MOTOTAKA SAKASHITA



LEADERSHIP, MANAGEMENT, & SUSTAINABILITY

105

IS BIAS CAUSING BUSINESS LEADERS TO MAKE MISTAKES?
BY NICK CHATER

111

DOES EFFORT GUARANTEE PERFORMANCE AND SUCCESS?
BY FABRICE CAVARRETTA

115

THE RETAIL CROSSROADS: STITCHING TOGETHER REGENERATIVE BUSINESS MODELS FOR PROFIT, SUSTAINABILITY, AND SOCIAL RESPONSIBILITY
BY HAUTECLAIRE LULIN

121

REGENERATION AT THE CORE OF PROFITABLE RETAIL BUSINESSES AND SUPPLY CHAINS
BY AINHOA YE

125

ES & 'THE FORGOTTEN G': MAKING INTEGRITY STRATEGIC IN GOVERNANCE
BY DANIEL MALAN

131

THE ILLUSION OF INCLUSION: HOW ARTIFICIAL INTELLIGENCE CAN CHALLENGE THE 'BUSINESS CASE' FOR DIVERSITY
BY MARLA MACINNIS

137

WHERE ESG DOESN'T PAY OFF
BY PIERRE CHAIGNEAU

143

POWERING CHANGE: ELECTRICITY, TRANSITION AND DEVELOPMENT
BY RAFAEL ECHECHIPIA FONTANA

149

ESG AND THE WINE SECTOR: TURNING VINICULTURE GRAPES FROM SOUR TO SWEET
BY LIGIA COSTA

155

THE FUTURE OF WORK IS DIGITAL AND GREEN
BY DIMITRIOS SPILIOPOULOS

161

INTEGRATING GENDER WHEN DEVELOPING LARGE INFRASTRUCTURE PROJECTS
BY SONA KESSARIA

& BUSINESS SOCIETY

15

AI: RESURGENCE IN THE ART OF RHETORIC AND COMPOSITION?
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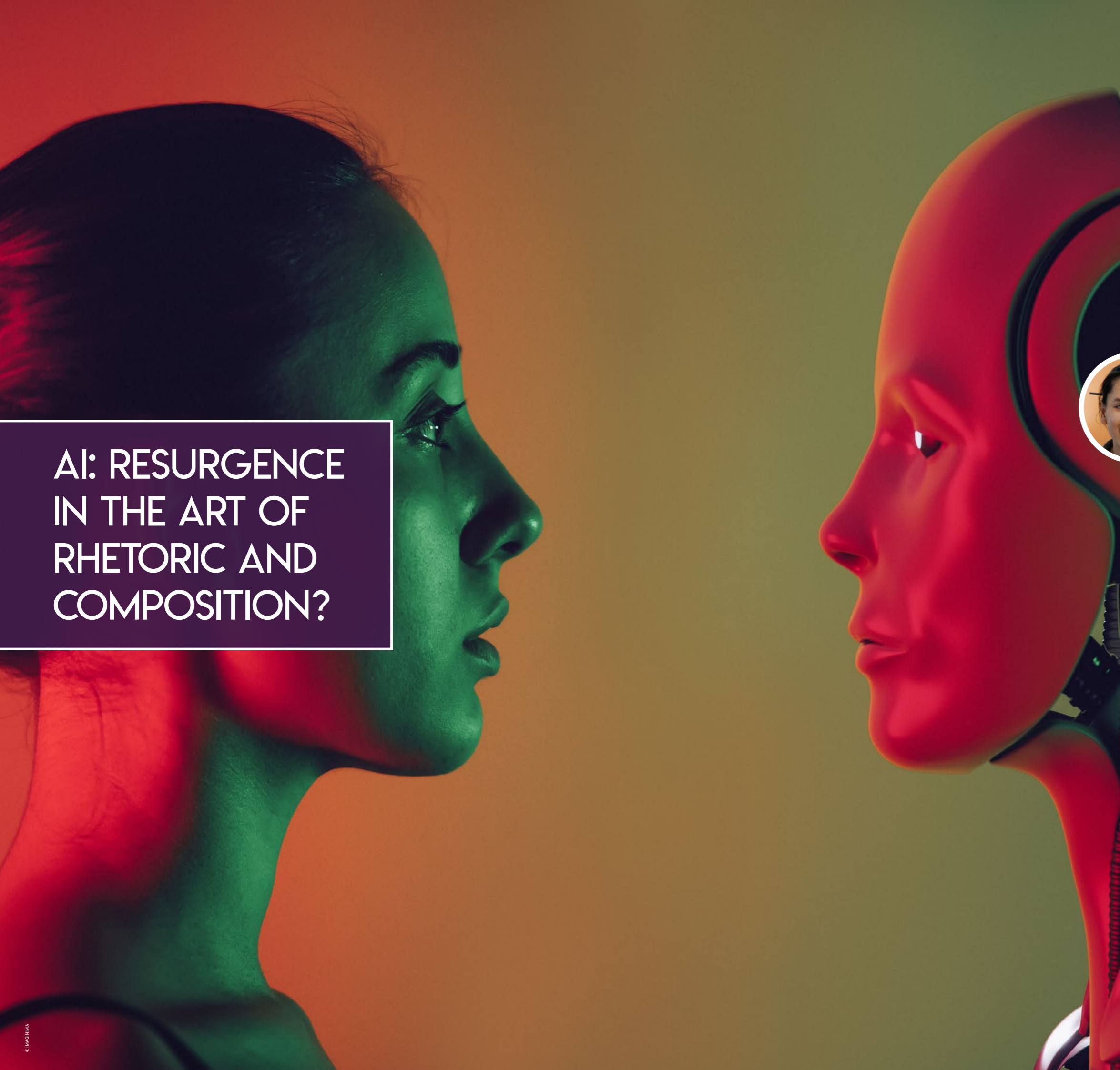
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AI: RESURGENCE IN THE ART OF RHETORIC AND COMPOSITION?



Value is found in the act of writing, exclusive of the output produced; value that is forgone by heavily relying on AI.



Michelle Diaz, ESSEC Business School Winner of the CoBS 2023 Student CSR Article Competition,

takes a deep dive into the clamour surrounding AI and contends that ChatGPT can be embraced by academia to bring the crucial skills of writing and rhetoric back to the forefront of learning.

Very few things are as malleable and rule-stricken as language, composition, and rhetoric. In 2022 alone, Merriam-Webster added 370 new words to the English dictionary. But certain grammatical rules have been in place for centuries. Perhaps it is this contradictory, confounding, and ever-evolving nature of language that allows trained writers to still overwrite artificial intelligence (AI). However, a recent paper suggests that even writing-intensive professions are exposed to AI, with 80-100% of the US work force affected (Eloundou et al., 2023).

But what does this mean for academia? Should academic institutions hurry to shift assessment standards, create safeguards, and implement fraud-detection measures? Most say yes; others insist it is a threat to education like no other, while some tout it as a wondrous opportunity. AI is all of this and more: a chance for a wider array of students to understand, appreciate, and learn the art of composition—to consider the skill as something they would like to possess. Rather than outsource to AI-powered chatbots, simply because they can.



REACTION TO CHATGPT

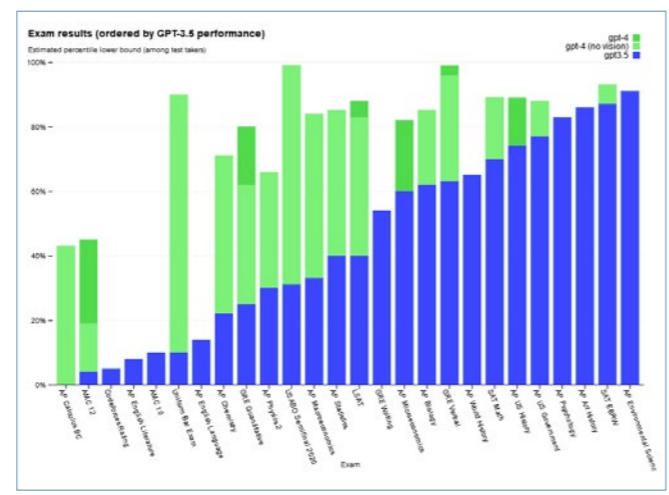
The reaction to the release of ChatGPT, an AI-powered chatbot developed by Open AI has been wide-reaching. The reception can be found in almost every sector, from business to healthcare, law, and entertainment to name a few. But in no sector is the reception more mixed and controversial than that of academia, the common denominator of almost every sector. Every prospective CEO, health professional, lawyer, screenwriter, and professor must, in one way or another, prepare for their career through some level of education.

The bombardment of headlines ranged from the optimistic, "AI Could Be Great for College Essays" (Lametti, 2022), to a nuanced analysis, "The Brilliance and Weirdness of ChatGPT" (Roose, 2022), and the proactive response, "How to Use ChatGPT and Still Be a Good Person" (Chen, 2022). The timeline of these headlines was early in the launch of ChatGPT. But the headlines since the release of ChatGPT-3.5 and GPT-4 have in large part reflected the same flurry of mixed emotions, with "The Chatbots Are Here, and the Internet Industry Is in a Tizzy" (Mickle et al., 2023) and "Let 1,000 Flowers Bloom: A.I. Funding Frenzy Escalates" (Griffith et al., 2023), and the op-ed of the esteemed father of modern linguistics, "Noam Chomsky: The False Promise of ChatGPT" (Chomsky et al., 2023).

Irrespective of the views on ChatGPT, one thing is clear: a paradigm shift is needed. The repercussions of ChatGPT's very existence mean the technology will only get better given the historical rate of technological innovation and competition within the market. On March 21, 2023, Google launched its Bard chatbot, the tech giant's bid to rival Open AI's ChatGPT. While Baidu, the Chinese search giant, released their own chatbot, Ernie, earlier in March 2023, (Murgia, 2023). In essence, a proactive approach is required to handle the effect on academic integrity.

DEFINING ACADEMIC INTEGRITY

What exactly is academic integrity? And how do chatbots like ChatGPT, Bard, and Ernie threaten it? Moreover, how might we leverage these chatbots to improve education instead of sending teachers, schools, professors, and universities into a frenzy of concern over academic fraud? According to Donald McCabe, the founding father of research into ethical policy in academia, "the term involves the avoidance of plagiarism, cheating, and other behaviours of misconduct" (McCabe et al., 2016). The speed at which detective measures have sprouted is commensurate to the capacity of the technology. Indeed, the benchmarks done by Open AI for GPT-4 reveal that the model can perform exceedingly well in a simulation of exams originally designed for humans:



(OPEN AI, 2023)

Hence, it comes as no surprise that, not three months since ChatGPT's release, Edward Tian, an undergraduate student at Princeton University, created GPTZero, a bot to detect a text written by ChatGPT (Bowman, 2023). Similarly, Eric Mitchell, a graduate student at Stanford University, is working on DetectGPT, yet another means to distinguish between human and large language model (LLM)-generated text (Mitchell et al., 2023).

In effect, many of the metrics that society at large measures academic performance can be gamed by AI. Like essay assessments that require no oversight at the time of writing. But there has always been a case to mitigate academic misconduct, even before AI: "In the past, students could hire a ghost writer through widely available and easily accessible essay mills to write an assignment. Now with ChatGPT, they can instruct artificial intelligence (AI) instead of a person, at no cost..." (Harte et al., 2023). The qualifying difference is the ease with which students may now cheat.

THE SKILL OF WRITING & THE REAL CONUNDRUM

Interestingly, the one area in which GPT-4 has performed less admirably is the skill of writing. It showed no significant improvement from the last two versions for AP English Language, Literature, and the writing portion of the GRE (Open AI, 2023). Consequently, one must distinguish between subjects wherein equal weight is put on a text's content and the quality of the writing itself. One can argue that assessment standards should be modified to require the high clarity, concision, and eloquence that is often demanded of students studying subjects like creative writing, literature, or philosophy. Or else, the mode of assessment be modified, or a reliable means of detecting AI-written text made widely available.

In early 2023, The New York Times published an article wherein more than 30 professors, students, and university administrators were interviewed on how to adopt to ChatGPT. Together, they outlined three ways to address the issue: require a higher standard of writing, modify assessment, and create a detector for AI-written text. One professor claimed that the "imagination, creativity, and innovation of analysis that we usually deem an A paper needs to be trickling down into the B-range papers." Another professor now requires students to write their first drafts in the classroom. Lastly, the article underlines how more than 6,000 professors from Harvard University, among other tertiary institutions, have signed up for Edward Tian's GPTZero (Huang, 2023).

In any case, one thing is clear: the real conundrum is the ease with which students will willingly use ChatGPT for their academic assessments. Indeed, therein lies the potential of AI to either be beneficial or detrimental. If a student can save time, effort, and learn better with ChatGPT, then academia is better served by ensuring that students are more inclined to use it without forgoing academic integrity; to act based on an intrinsic preservation of integrity, rather than the avoidance of

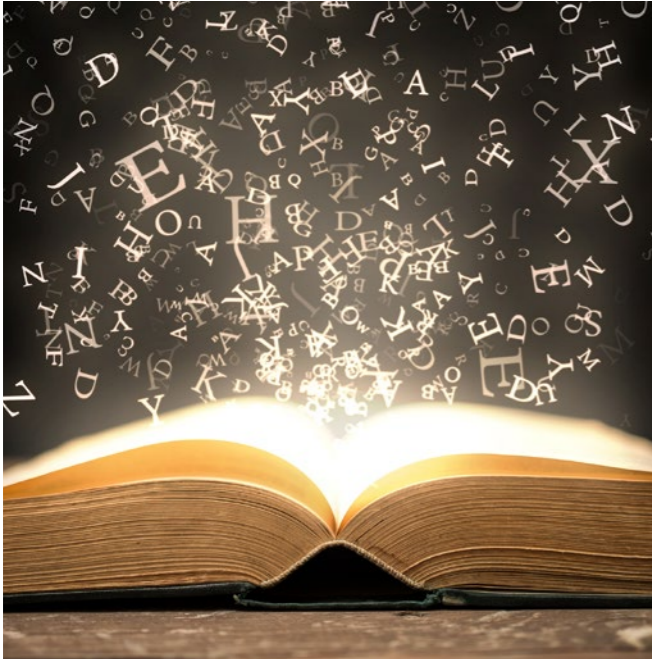
negative extrinsic repercussions of misconduct. And certainly, the uses of AI to improve academic practice are abundant, from providing a personalized learning experience to helping students brainstorm ideas to curating relevant resources (Hamdan, 2023).

OPPORTUNITY AMIDST CHAOS

Considering the dilemmas ChatGPT raises about academic integrity, it is prime time to refocus on a core issue that predates AI: the perception on the necessity of learning to write well. In 2002, Petelin coined the terms, "working writers and writing worker" to distinguish between professionally trained writers (career writers) and those who are not necessarily trained as professional writers but whose jobs require them to write." The former refers to journalists, playwrights, poets, etc. While the latter refers to lawyers, managers, engineers, architects, etc. (Petelin, 2022). The perception is that certain occupations require less training in writing, and indeed, not every individual must aim to write to the degree that career writers do. After all, a medical student is better prepared by spending more time on the sciences.

However, instilling students with the desire to learn writing beyond the requisite level to pass their courses is an investment that is unquestionably worthwhile. As Oscar Wilde once said, "If you cannot write well, you cannot think well; if you cannot think well, others will do your thinking for you." Likewise, Joan Didion, a celebrated American writer mirrored this sentiment: "Had I been blessed with even limited access to my own mind, there would have been no reason to write." While Stephen King notes that "writing is refined thinking" (King, 2000). These writers, whether they knew it at the time or not, were talking about the writing-thinking-learning connection, a relationship that language scholars have long since studied. Essentially, writing about something allows one to understand and learn it better, thus exploiting the connection between the three acts (Petelin, 2022).

Moreover, research shows a high correlation between writing and speaking. A study done in 2022 revealed that "student achievement in learning writing skills can predict achievement in learning speaking skills, and vice versa. If a student has good writing skills, it is almost certain that he will have good speaking skills as well" (Rahman et al., 2022). And speaking well is indubitably beneficial across different careers. Furthermore, a meta-analysis on the effects of writing on learning in science, social studies, and mathematics concluded that teachers in these subjects "can reasonably expect that asking their students to write about content material will enhance learning" (Graham et al., 2020). Not to mention the capacity of writing to be therapeutic and beneficial for mental health (Bergqvist et al., 2020). Value is found in the act of writing itself, exclusive of the output produced; value that is forgone by heavily relying on AI.



A COMPREHENSIVE APPROACH

To effectively capitalize on AI while preserving academic integrity, intervention can be divided into two categories: changing academic practices and student attitudes toward the importance of writing well. For the former, we have the tactics outlined by professors, like modifying assessments and creating GPTZero. While the latter category requires a stronger push. But combined, the two interventions provide intrinsic and extrinsic motivation and are thus a better way forward for students and academic institutions alike.

But what does changing student attitudes toward writing well look like? As it stands, the way that we teach students to write differs too much across disciplines, and some students inherently find the act of writing cumbersome. Instead of an enjoyable, empowering, and powerful skill for any career – "Its importance in organisations often goes unnoticed until there's a document-related crisis" (Petelin, 2022). Furthermore, in most "Australian and British universities, writing is under-taught, under-valued, and under-researched" (Petelin, 2022). In contrast to American universities, where there is a long and strong tradition of rhetoric at the undergraduate level (Petelin, 2022).

EXPOSURE TO INSPIRE – ROOM FOR IMPROVEMENT

Good rhetoric and composition speak for themselves. Often, the challenge is exposure to quality writing that inspires; to strings of words that entice not only with their content but with an eloquence that arrests. Sentences that speak not only about desire, but is desire embodied—obsessively, incessantly, and with a maddening hunger whose tendrils worm their way into a reader's mind. No. The kind of writing found in required texts for subjects outside of the arts and humanities is far too often dry. Texts that read more like an instruction manual than anything else. How often do people read the instruction manual? Only when the table, despite

all the tinkering, cannot be trusted to hold itself together. Now, perhaps the last couple of sentences sparked in you a defiance, a sort of stubbornness that proclaims: *I always read the instruction manual!* Or, most plausibly: *not all writing needs to be creative writing!* Indeed. I concur.

But all writing can benefit from amelioration. At the time of Dr. King's illustrious *I Have a Dream* speech, he was scarcely the only man who dreamt of the "unalienable rights of life, liberty, and the pursuit of happiness for all men" (King, 1963). But he was one of the most eloquent. And while eloquence by itself does not a great leader make, it is a common denominator. From Dr. King to former president Barack Obama and to Professor Richard Feynman, notable not only for his contribution to physics but also for his ability to teach well.

Ergo, a solution might be to initiate introductory classes on literature and composition for academic departments like the hard sciences, healthcare, and business; make the skill more accessible. In this way, students learn early the supremacy of good writing, heightening the likelihood that they willingly invest time in the craft. Despite the presence of technologies that can write for them. Or else, more universities could adopt the practice of many American universities, where students must take classes on rhetoric and composition. Regardless of their chosen major (Petelin, 2022). If done correctly, swiftly, and universally, AI may very well bring about a resurgence in the art of rhetoric and composition—to the benefit of society at large. ///

KEY TAKEAWAYS

- ▣ AI can write texts that are grammatically correct and can pass as human writing. But it is still unable to compete with the kind of writing produced by professional writers.
- ▣ ChatGPT and similar technologies may very well compete with professional writing soon.
- ▣ Reaction to ChatGPT from academia is mixed, with some perceiving the tool as a threat to academic integrity, while others say that it can be beneficial.
- ▣ The rise of ChatGPT presents academia a chance to address a difficulty that has long existed in education: inconsistency towards the education of students for rhetoric and composition.
- ▣ The benefits of having the ability to write well exceeds the production of usable text.



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MIND THE GAP: THE ROLE OF BUSINESS SCHOOLS IN BRIDGING THE INCOME DIVIDE



The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”



Long seen as a club for the privileged and a breeding ground for high-income graduates, business schools are now facing pressure – from outside and from within – to radically change the way they operate to play a powerful role in ensuring a more equitable share of wealth. Can they do this? And how? **Silvana Leyva**, BBA student and Winner of the 2023 Student CSR Article Competition at **IE Business School**, explores.

Franklin D. Roosevelt addressed his view on income inequality with this quote as the United States was grappling with the turmoil of the Great Depression in 1937. Transcending time, the former president’s message continues to resonate strongly in today’s world, as the stark wealth gap deepens, and the inequality puzzle remains unsolved.

Income inequality, a complex and multifaceted issue, has existed throughout history due to a myriad of systemic and structural factors that have perpetuated unequal access to resources and opportunities—and the COVID-19 pandemic has only served to escalate this already pressing matter. The pandemic has disproportionately affected the most vulnerable members of society, and it is our responsibility to take concerted action in helping our global community.



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With the power of shaping the next generation of leaders and influencing the direction of the economy, business schools therefore play a vital role in this long-term combat against income inequality. So, the question remains: what steps can business schools take to become the agents of change in promoting greater economic and social equality?

INCOME INEQUALITY: A PANDEMIC WITHIN A PANDEMIC

Three years ago, the world stood still as an invisible enemy swept across the globe. The start of the pandemic instilled a sense of vulnerability and uncertainty, prompting us to unite in solidarity and work together for a common purpose. This sense of togetherness, however, was short-lived. As the virus persisted, it magnified the deep-rooted inequality issues that have plagued our world. According to OXFAM International (2022), "in some countries, the poorest people are nearly four times more likely to die from COVID-19 as the richest". The report states that, for instance, "people of Bangladeshi origins were five times more likely to die of COVID-19 compared with the White British population in England".

The comparison of these two populations demonstrates how marginalized and low-income groups were systematically denied access to proper healthcare and vaccines, ultimately putting them at a higher risk of illness and death during the

pandemic. And even those who survived were forced to face another hardship: falling deeper below the poverty line (Eurofound, 2023)

The pandemic served to push over 160 million people into poverty, due to numerous disruptions such as job losses and reduced access to work. But as billions struggled to overcome hard times, billionaires were rejoicing in their increased fortunes. "Billionaires have seen extraordinary increases in their wealth... \$26 trillion (63 percent) of all new wealth was captured by the richest 1 percent, while \$16 trillion (37 percent) went to the rest of the world put together" (OXFAM, 2023) — this clearly highlights the deep-seated disparities that have resulted from COVID and its lingering effects. With the pandemic, economic violence has worsened, communities have been fragmented, and low-income groups are unjustly enduring the economic and health fallout that comes with income inequality.

This issue therefore goes beyond just an abstract economic concept; it is an issue of life and death, as those at the bottom of the income ladder are more likely to suffer from illnesses and limited access to healthcare. It is an issue that leads to social unrest, causing despair and hopelessness amongst generations of marginalized groups that are trapped in the poverty cycle. And it is an issue that is undermining economic and social growth, harming thousands of people every day and preventing us from creating a sustainable future.

THE INFLUENCE OF BUSINESS SCHOOLS IN TACKLING INCOME INEQUALITY

The devastation of the pandemic obliged businesses around the world to adapt and face unprecedented challenges; and while some were capable of thriving and accelerating in a dynamic digital landscape, there were many others that were forced to shut down or suffer great economic losses. The Bureau of Labor Statistics reported that, between February and April 2020, more than 22 million jobs were lost in the United States, exemplifying the sudden changes in economic activity.

Despite the recovery of many jobs, the recession had a powerful role in deepening inequality. High-paid workers had the advantage of adequate resources and opportunities to work from home, which helped them maintain their financial stability and health during the pandemic. In contrast, low-wage workers were disproportionately affected, as they were less likely to have access to such privileges. These employees were at greater risk of contracting the virus due to their obligation to continue working in high-exposure industries. Therefore, while some workers were able to adapt and stay safe during the pandemic, others faced greater challenges and vulnerabilities (United States Department of Labor, 2022; OECD, 2022; Collinson, 2021)

Business schools have a distinctive influence in driving innovation for economic growth. In the start of the pandemic, many institutions around the world responded to the crisis by leveraging their resources and entrepreneurial spirits with the goal of assisting businesses. Universities directed their efforts towards aiding the most affected industries by launching various support initiatives, such as conducting research, providing finances, and lending expertise. Cornell University's School of Hotel Administration, for instance, created a compilation of webinars and research intended to support hotel managers in implementing optimal strategies during the crisis, due to the tourism industry being heavily affected by the pandemic. Although various businesses were able to rebuild and survive, the lingering economic hangover of the pandemic remains— and business schools must continue exhibiting their commitment to contributing towards building a more prosperous society in our post-pandemic world (Bajeux-Besnainou, 2020).

BUSINESS SCHOOLS AS AGENTS OF CHANGE

Business schools around the world are incubators with the resources and knowledge to foster and fuel entrepreneurial spirits. With start-up labs and aims to drive innovation, these institutions are equipping students with tools to transform ideas into reality. Through this entrepreneurial activity, society can be positively affected, and job opportunities are gradually created. Another essential aspect of the role in business schools is access to education.



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Offering education opportunities and resources to marginalized groups can have powerful effects on breaking the poverty cycle that many groups struggle to escape. Education is the path to social mobility, as it allows students to grow in knowledge and therefore climb up the economic ladder. Without proper education, people will struggle to reach their full potential and remain competitive in the workforce; education is the tool to level the playing field by promoting human capital and economic prosperity. The solutions may be successful in combating income inequality, but it is essential to focus on how to strive and engage sustainably through a long-term mission.

This, therefore, brings me to my final message: we must rethink the role of business more aggressively than ever. Business schools must shift focus from maximizing profits to creating value for all stakeholders by establishing diversity, equity, and inclusion initiatives. By embracing a more conscious and integrated approach to business, students will be able to consider the long-term impacts of their actions as leaders and entrepreneurs (Birkinshaw, 2022).

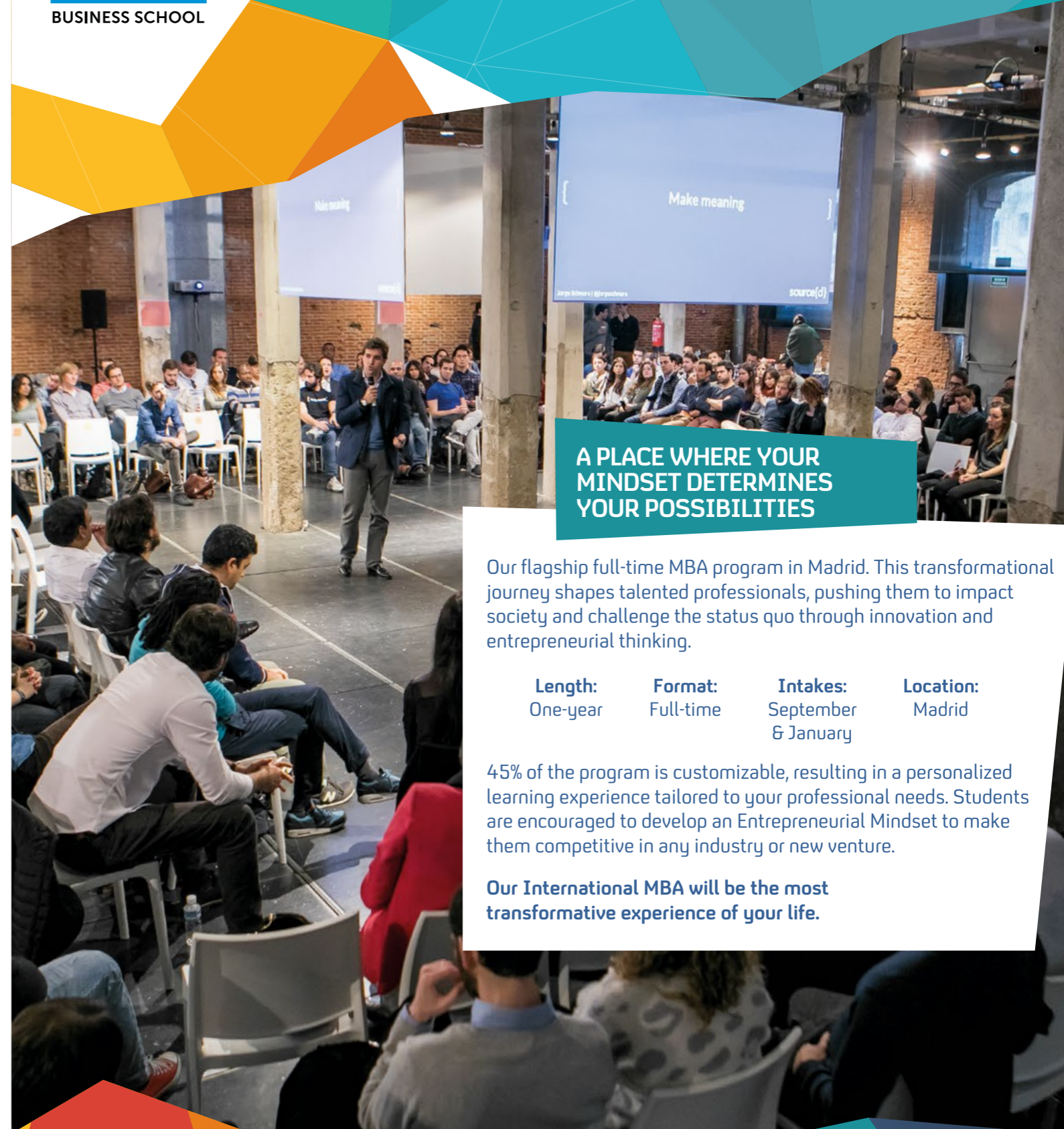
This requires a fundamental shift in mindset and a commitment to new business models that prioritize sustainability, social responsibility, and ethical practices. Through collaboration and cooperation between businesses, governments, and society, the role of business in society can be reimagined. Business schools have been instrumental in introducing innovative ideas and practices that have generated significant value for companies and their stakeholders across the globe. With a unique opportunity to take the lead in addressing one of the most pressing challenges of today's world, these institutions can begin by making a substantial investment and devising a deliberate approach to ensure that the equitable values become an integral part of both business education and the business world itself.

Albert Einstein said it best. *"We cannot solve our problems with the same thinking we used when we created them."*

If business educators, students, and aspiring leaders continue to prioritize the belief that a company's main goal should be to maximize profits, then a sustainable and equitable society is far from close. If we want to change our world, we must change our thinking, and this begins with rethinking the role of business education. **///**

KEY TAKEAWAYS

- ▣ Income inequality has been perpetuated by systemic and structural factors that have resulted in unequal access to resources and opportunities, and the COVID-19 pandemic has only served to escalate this already pressing matter.
- ▣ The pandemic has disproportionately affected marginalized and low-income groups, putting them at a higher risk of illness and death, and pushing over 160 million people into poverty.
- ▣ While some businesses adapted and thrived during the pandemic, others suffered great economic losses, particularly low-wage workers who were less likely to have access to resources and work from home.
- ▣ Business schools have a distinctive influence in driving innovation for economic growth, and many institutions responded to the crisis by launching various support initiatives to assist businesses.
- ▣ Business schools can become agents of change in promoting greater economic and social equality by equipping students with the resources and knowledge to foster and fuel entrepreneurial spirits and contribute towards building a more prosperous society in our post-pandemic world.



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INTENTIONALLY
BUT MISTAKENLY
UNEQUAL



The topic of inequality has to be carried with a different approach in business schools going forwards.



Busisiwe Raphuthing, MBA participant and **Stellenbosch Business School** winner of the CoBS 2023 student CSR article competition, uses her

background in medical studies to highlight a very real paradox to address – that of business schools' good intentions to produce leaders to reduce inequalities, while using pricing policies that allow only the wealthier to access studies.

"Common things occur commonly" – famous words from the mouths of senior medical doctors to the ears of naïve medical students. Medical school graduates may be permitted to forget many concepts, but this is one of those non-negotiable lessons that were imparted unto us and are to be kept in our memories forever. Present a patient with pathology as a case to a group of students and allow them to ask leading questions, probe strategically and test their analytical and problem-solving skills by evaluating if and how they arrive at a particular diagnosis – do this often enough and you will find an inherent flaw in most of these young, intelligent minds and that is the failure to identify the most common problem! This is a blind spot which is prevalent in more of us than we dare to admit, and its footprints have found a way into our immediate environment, leading us to misdiagnose and mismanage the inequality that plagues the social, economic, cultural, and educational environments which we are inhabitants of.



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THE SELF-PERPETUATING PLAGUE

Business schools have gained the reputation of being the place where responsible leaders are “made”, almost like a uterus – if one were to liken it to the human body. The nature of this expectation is an honourable one and appreciated by society, similar to how mothers are celebrated as life-giving people. In the real world – specifically in the marketplace – there is an expectation that such schools would showcase an annual emergence of graduates and future leaders who are thoroughly equipped to branch out into society and implement long awaited solutions to global challenges. Unfortunately, business schools have found themselves as a topic of debate as critics have suggested that they do not successfully create competencies which are critical for future leaders to possess (Lloyd, 2015). According to Lloyd, business schools have failed at linking the theoretical aspects of education to the practical implications and applications thereof, focusing on subjects for the sake of theory without translating this into practice, be it in the workplace or in society – where they are actually needed (2015).

Business schools have mastered the art of developing modules which address the failing sectors in society as well as providing students with well researched methodologies on how to tackle social, economic, and environmental challenges in their own environments as well on a global level. But after all of these advances in higher education and business in society as a whole, we still live in a world that is plagued with inequality to such an extent that this unfortunate state of imbalance has become normal to us. As society and

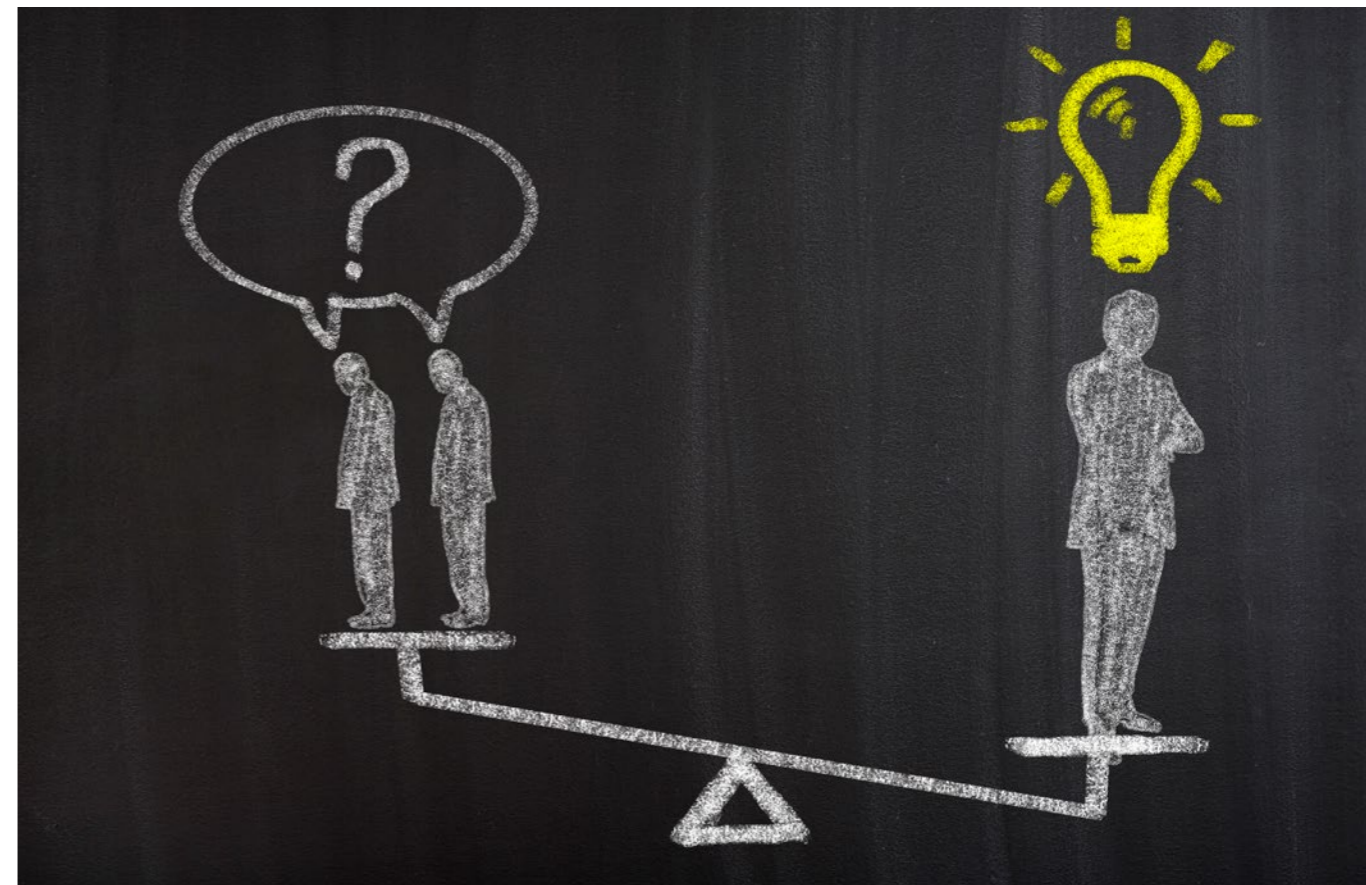
particularly as academic institutions, at what point did we convince ourselves through our modules, programmes, publications, and international ratings that we have done the utmost best to eliminate the plague of inequality? Business schools have created healthcare leadership programmes to equip future leaders to fight inequality to healthcare access; business in society modules to tackle the climate breakdown agenda; leadership programmes to hand out tools for those who will address gender-based violence and other similar displays of inequality – but have we realised that despite these efforts inequality still continues to reinforce itself at a rate that is concerning to businesses in our societies?

MASKING THE SYMPTOMS OR TREATING THE CAUSE?

One of the most important skills young medical graduates learn in medical school is the process of how to identify a list of possible diagnoses when attending to a patient who is ill. It goes without saying, that a doctor cannot prescribe the correct intervention for a patient and thus relieve them from their long suffering if the cause has not been identified – there has to be an identifiable diagnosis in order for an appropriate cure to be administered. When it comes to matters of inequality, business schools have attempted to play their part in solving this through programmes which we agree are exceptional – however if one would care to zoom in closer while asking some key questions, the mystery of persistent inequality despite constant surges of graduates into the economic sectors would be solved.

Higher education has been viewed as the key to unlocking a better future for one, a status in society which is comparably higher than that of one’s predecessors (Brown, 2018). However, as Brown points out, these universities have become a place where socio-economic status is a factor in the acceptance of a student in the methods of selective entry (2018). It is known to many that business schools being the elite institutes of higher education charge tuition fees which are not affordable to the same individuals in society whom it is claimed require deliverance from the disadvantages they face due to inequality. How is it possible then, that programmes in such institutions are prepared with so much due diligence yet they miss that they are simply an example of those who offer the correct teachings, but they teach it to the wrong audience? One would argue that the efforts may in fact be incorrectly directed and the sense of having contributed toward social responsibility emanating from this is only but an illusion.

Business schools have actually seemingly inherited the agenda of attempting to uproot inequality while unsuspectingly perpetuating the spread of this plague. Has it become an acceptable reality, that unless one has the financial means to finance their own business degree, they will remain a victim of the imbalance of access to opportunities seen in the marketplace? Business schools have increased the costs of higher education as a response to economic insults and in this process, they have created a vicious cycle that reinforces the very same problem which they have pledged to solve.



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LEVEL THE PLAYING GROUND

The topic of inequality has to be carried with a different approach in business schools going forwards, and this begins with the transformation of the mindset of the very lecturers, academics, and managers at these institutions. This is not a lecture to be allocated two hours within a leadership module, but rather a cry for change that needs to take place beginning at the core. Many elite business schools display a lack of transformational intentions in their recruitment processes, having employed lecturers and senior management who do not display an equal proportion of Black individuals. This unfortunately creates the assumption that those who are Black and previously disadvantaged, yet managed to obtain academic credentials, are still not as widely considered for influential positions as compared to their white counterparts. Some business schools have made efforts to incorporate more Black guest lecturers; however, this addresses the superficial symptoms of inequality and does nothing else to solve it in the long run.

Business school tuition fees are extremely expensive, and this communicates a silent, closed-door policy stating that such places of education are *not* for the individual who has managed to complete their undergraduate degree, living in an informal settlement with poor sanitation, depending on public transport and carrying the responsibility of looking after seven unemployed family members financially on one average income.

MIRROR, MIRROR... ON THE LECTURE HALL

Business schools applaud themselves when they successfully send large numbers of graduates out into the big world, with weapons to fight poverty, inequality, and many other social and economic injustices. Yet they continue to prepare, groom, and celebrate those who were financially healthy enough in the first place to afford a place in their institution of learning. Taking into consideration all that has been explored, it seems that when it comes to the topic of inequality, business schools have become a forceful, influential, and powerful tool to multiply, highlight and intellectually advance pre-existing inequalities in our society. ///

KEY TAKEAWAYS

- ❑ The humanitarian aspect within us as individuals may at times blind us so that we find ourselves directing efforts and strategies to fixing problems caused by other people, yet when the mirror is upon us, we are surprised to find that we are also a part of “them”.
- ❑ Inequality and the fight against it, is not a theoretical module which business school students should complete, it is a journey and a commitment which begins not in the lecture hall, but within us as individuals, students, future leaders, and managers of business schools.
- ❑ The first place to correct inequality with all the methodologies taught in business schools, is right there, within the walls and territory of the school *itself*.

E-REFERRALS: WHAT IS THE IMPACT ON SOUTH AFRICA'S HEALTHCARE ECOSYSTEM?



For the blossoming nation of South Africa, Vula came in the pinch of time



Researchers **Tasneem Motala** and **Natasha Blanckenberg**, of **Stellenbosch Business School**, analyse the effect of Vula – the smartphone medical app – upon a developing country's healthcare system.

Related research: *Facilitating remote access to specialist medical expertise through the scaled-up adoption of a smartphone application: A South African case*, South African Medical Journal, DOI: 10.7196/SAMJ.2022.v112i2.15799.

THE BIG DISPUTE: HEALTHCARE IN DEVELOPED VS DEVELOPING COUNTRIES

South Africa as a country has come a long way since post-independence days and has managed to rebuild its healthcare system where necessary. However, as an emerging nation, providing public healthcare to a large population doesn't come easy while specialist expertise and care are evidently scarce. With the Western Cape Government Health Department declaring Vula – an electronic referral application – as the main communication tool for medical experts, can this technology be considered a breakthrough in South African public healthcare?

Many countries have experienced progressive growth in the healthcare system with the use of referrals, but e-referrals are still a novel invention for developing regions. With the advancement of technology, healthcare has observed a revolutionised shift. However, globally, there are many countries still wading through obstacles to fix their healthcare system.

While healthcare is expensive as it is, when spiced up with high-tech appliances and innovations, the bills aren't cheap.

Unfortunately, it's just the countries with already developed healthcare arrangements that afford the advancement faster than most, and the middle-to-lower income countries keep mending their medical services in their own budgeted way.

Zeroing in on the diverse country of South Africa, which carries with it a hefty concern of social, wealth, and health inequality since and before its independence, it has been tirelessly working to improve its healthcare ecosystem. With a population of almost 60 million people, South Africa's public health services are based on a primary health care (PHC) model which serves approximately 85% of the population. Expert and professional care for severe conditions aren't easily found and the rising population of the country is taking a toll on healthcare workers.

However, according to past studies, the concept of a referral system, which is when medical professionals can refer the patient to another specialist doctor and help them find the right kind of treatment quickly, has been very impactful. Studies narrow down on topics such as maintaining demand for referrals or improving the quality of referrals provided. Currently, with the increasing usage of e-referrals systems, studies have wandered towards the efficiency of the new web service.

As most of this research has been conducted in well-resourced countries like the UK, the USA, Canada, and other parts of continental Europe, there is a large chasm regarding the widespread and effective online communication practice for medical referrals in developing countries.

ABOUT VULA: THE E-REFERRAL APP

In 2018, Western Cape Government Health (WCGH), the primary healthcare provider in South Africa, announced the mobile e-referral application – Vula – as the principal media to issue referrals for medical experts. Officially launched in 2014 to amend the scarcity of medical specialists, this referral app was created to benefit the public health service in South Africa. Vula was a starting point for tech being actively used alongside healthcare and as a modern innovation in the market, but its prospective impact was still unknown.

As this application had the scope to make a large difference in the South African health sector, researchers Natasha Blanckenberg and Tasneem Motala believed understanding the functionality and usage of Vula is key to further discussing its impact and thus conducted a descriptive study of the application.

WHEN TECHNOLOGY MEETS HEALTHCARE

Using Vula's Mobile database, the researchers carefully categorised the data received and dug deeper into understanding how doctors have been using the e-referral application.

First and foremost, versatility shines out to be Vula's key strength as it is favourably used for both acute and non-

urgent cases. This is rare, as most electronic case reporting technologies in the past solely served the purpose of non-urgent cases. What's more, Vula is a one-of-a-kind smartphone application that victoriously progressed past the pilot phase, while being an application exclusively created to ease out the referral process on a large scale in a middle-income country. The dyad benefit that Vula further brings along is its expedited response time experienced by receiving doctors, and secondly, with the rise of emergency medicine, Vula is as apt as it could get in terms of sending and receiving e-referrals for specialty doctors.

It bridges the gap between doctors and creates an effortless direct connection between the referring doctor and the relevant specialists, which even allows them to share pictures securely and progressively leading to reduced time, as compared to the previous non-electronic ways. Vula also personalised the whole experience for doctors to follow up on patients, while providing the correct guidance concerning their cases. Furthermore, Vula makes itself even more desirable and grabs the title of a demand management tool by reducing the burden of work on healthcare workers and screening the referrals sent and received by doctors to check for their intactness, suitability, and level of urgency.

Moreover, Vula was more than just a shift in using smartphone applications for medical purposes in South Africa. It brought along with it a cultural and mindset drift that increased trust, not only in referring and specialist doctors but also in patients. Specialist knowledge has also been a severe need, and as Vula partially solves this big issue, doctors haven't held back in using the application as it serves the purpose of getting their patients the right care.

KNIGHT IN SHINING ARMOUR – CHANGING THE MEDICAL SPHERE THROUGH E-REFERRALS

Vula won the hearts of South African healthcare workers as it showcased how well it serves its vital purpose of being an inter-communicative and co-dependant medical advisory platform. In today's day and age, even Primary Care Physicians (PCP) can manage patients at the centres where they seek help, while walking hand-in-hand with the exceptional knowledge of specialists through Vula. This eased the whole in-person consultation process with specialists, especially for cases that aren't highly pressing. Throughout the pandemic too, the need for the application only increased as it assisted in safely conducting social distancing measures with the reduced mobility at the time.

Apart from being a critical player in clinical care and assisting patient-oriented supply networks, Vula plays a major role as a large-scale single database that helps track referrals, their patterns, and types. Moreover, it examines the level of the caseload that the virtual consultation provides throughout this service. This previously-unknown data wasn't prominently present in healthcare organisations, especially when the internet was absent.





DIGITAL INNOVATION DRIVING GROWTH IN HEALTHCARE

The referral process in specialist departments in the country took a large leap from previously being conducted through telephone calls and other applications like WhatsApp to now being securely and swiftly sent through Vula. Vula's usage in South Africa exhibits that even across a large number of people, in a country with fewer resources, if technology is used in the right areas, it doesn't necessarily have to be an expensive technological advancement to make a large difference.

For the blossoming nation of South Africa, Vula came in the pinch of time and moderated the communication process between referring and receiving doctors, without the need for any other technological intervention. The application proved its necessity and eminence in the healthcare sector and claimed its rightful place in three spots – as a demand management tool, a consulting platform, and an e-referral service. ///

KEY TAKEAWAYS

- With a population of almost 60 million people, South Africa's public health services are based on a primary health care (PHC) model which serves approximately 85% of the population.
- Expert and professional care for severe conditions aren't easily found and the rising population of the country is taking a toll on healthcare workers.
- Technology, mobile apps and e-referrals offer a solution to help. The Vula app, the subject of this research, was introduced in South Africa 2014.
- Versatility shines out to be Vula's key strength as it is favourably used for both acute and non-urgent cases. This is rare, as most electronic case reporting technologies in the past solely served the purpose of non-urgent cases.
- It enables sharing of pictures, reduces time, and allows doctors to personalise follow up on patients; is a demand management tool, reducing the burden of work on healthcare workers and screening referrals; it increases trust; it is a large-scale single database that helps track referrals, their patterns, and types.
- Vula's usage in South Africa exhibits that even across a large number of people, in a country with fewer resources, if technology is used in the right areas, it doesn't necessarily have to be an expensive technological advancement to make a large difference.



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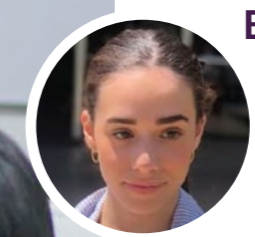
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IMMINENT REVOLUTION: CHATGPT AS AN ALLY OR ENEMY OF UNIVERSITIES?



ChatGPT can contribute to learning and carrying out operational tasks, leaving more time and space for more complex and analytical teaching, typical of the university environment.



Beatriz Avrucik Magalhães, BSc in Public Administration student and **FGV-EAESP** Runner-up in the **CoBS 2023 Student CSR Article Competition**, ties in

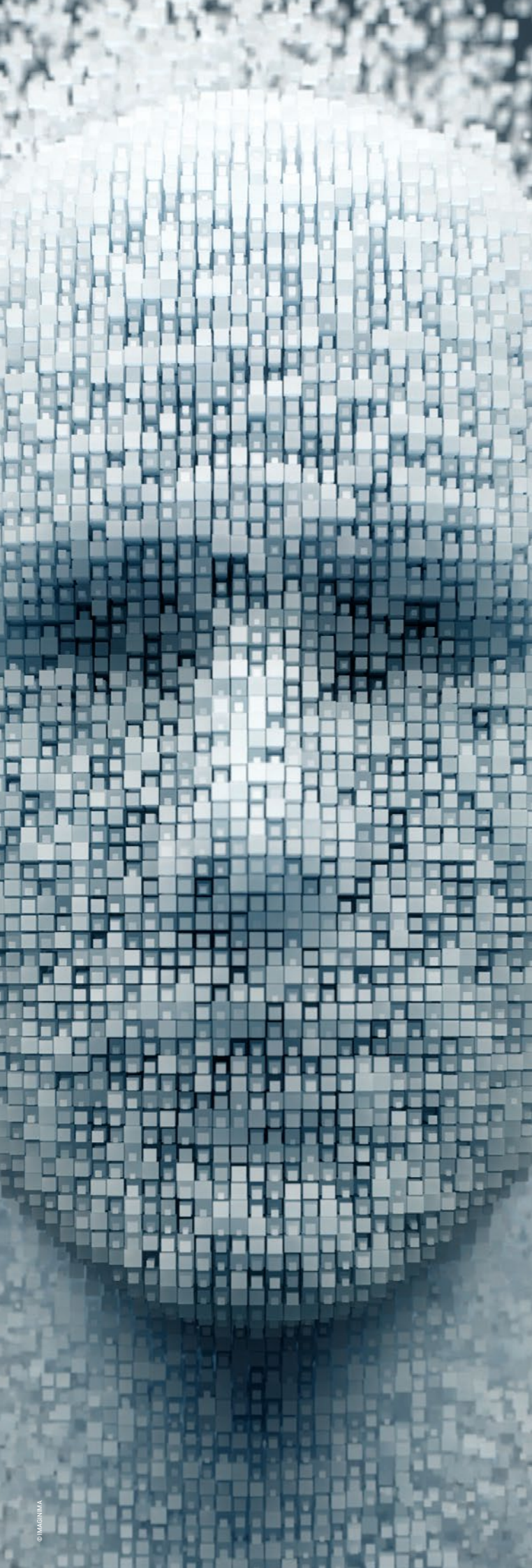
the launch of ChatGPT as a logical extension of human nature to conquer the natural world and develop complex systems – with a message that we should encourage ChatGPT in order to redefine its practical use in learning.

A PARADIGM SHIFT?

The ability to learn is one of the virtues that constitute the basic core of the human heritage, which sets us apart from other species. Consciousness and intelligence are two intrinsic and mutually dependent spheres, which makes humans have a unique ability to perform complex activities. What if these two paradigms were destroyed? Would humanity remain the same?

Although it seems like a distant scenario, the development of the GPT Chat brings this agenda closer and closer to the present. From this juncture, it is worth understanding how Artificial Intelligence (AI), under the figure of Chat GPT, impacts academia today, taking into account the positive and negative effects of the insertion of AI in learning and how universities should deal with this conjunctural transformation of teaching.

For this, it is necessary to have a deeper understanding of what GPT Chat is, if it causes a deterioration of learning, and what the predictions about the future of intelligence are and its detachment from human consciousness.



THE CONTROVERSIAL GPT CHAT

Recently, GPT Chat has invaded the news, social networks, homes and, most importantly, schools and jobs. This device is nothing more than an implementation of a natural language model based on artificial intelligence, developed by OpenAI. Using advanced language processing and machine learning techniques, GPT Chat is able to generate real-time responses from questions or statements.

The Chat GPT model is trained on a huge amount of linguistic data, spanning diverse areas of knowledge such as science, history, literature, and popular culture. This allows GPT Chat to understand the complexity and nuances of human language and generate contextual and coherent responses.

Nevertheless, such a platform is capable of learning from interactions with users, adjusting its responses and increasing its ability to understand and generate text. This ensures that GPT Chat can provide increasingly accurate and relevant answers to questions and statements submitted by users.

THE HUMAN BEING AS A PROGRAMMABLE ALGORITHM

Humankind has conquered spaces, overcome the weather and dominated other beings. Along the way, it has developed systems of socialization, language, and spirituality that seemed to be understood only through consciousness. But what is humankind?

From a biological perspective, Yuval Noah said that the human organism is formed by a set of autonomous and interdependent systems of particles, where each one specializes in a function necessary for the survival of the whole. These highly specialized particles follow a sequence of codes

in order to produce the final result. In this sense, Israeli author Yuval Noah Harari understands human activity as a conglomerate of biochemical algorithms that reproduce actions and reactions essential for survival.

Thus, the ability to conquer the natural world and develop complex systems is intrinsically linked to human nature itself. The neural networks, the reward systems, the production of hormones and the connection of genes are nothing more than functionalities of the human machine itself. Thus, biochemical algorithms convert tiny hints that come from external circumstances and develop a physical conclusion.

This vision ends up breaking a more imaginative belief about humankind, leading to the question of whether machines could not perform the same actions as us, human beings, in the long term.

THE ALLEGED DETERIORATION OF LEARNING

In its emergence, the act of learning followed a memoristic and repetitive model, which was reduced merely to the formal reproduction of human history. Even though the reality of schools has changed over recent times, researcher Juan Ignacio Pozo believes that the memoristic method is still very present. If, on the one hand, teaching must transmit some basic cultural, social and historiographical knowledge to the socialization of individuals, on the other hand, more than ever, it must teach them to reflect on information and create good questions and arguments.

As such, it comes as no surprise that technology has played an ever-increasing role in the learning process. For example, the internet and social networks provide access to an unprecedented amount of data and information and open up possibilities for interaction with other peers. In addition, calculators perform calculations in seconds that men would take many hours to complete and, today, software is capable of writing complete, cohesive and unique texts.

From this point onwards, the secular learning system is, *par excellence*, entering a crisis. The memorization model is losing its value, especially with the advent of machines capable of storing many times more information. Skeptics believe that data processing work should therefore be confined to computer systems, whose capacity exceeds that of the human brain.

As a result of the advancement of machine learning technology and artificial neural networks, there is a growing number of algorithms being developed autonomously, which continuously improve and are able to learn from their own mistakes.

According to Yuval Noah Harari, these algorithms now have the ability to analyze huge amounts of data, far beyond what the human mind can process, and to recognize patterns and strategies that escape human understanding. Even though they were created by humans, such algorithms develop their own paths and reach spaces that no other human has been able to. With that said, there is a possibility that, in the near future, non-conscious but highly intelligent algorithms may know humanity better than we do.

In view of this, it is necessary to adapt our ways of learning and teaching, bearing in mind that society has come to demand different skills from those it was used to. Thus, it is necessary to consider the negative aspects brought by techno-scientific innovations, in order to minimize their impacts and, simultaneously, maximize the positive factors brought by them.

AFTER ALL, WHAT ARE THE POSITIVE AND NEGATIVE POINTS OF GPT CHAT, APPLIED TO THE CONTEXT OF UNIVERSITIES?

As mentioned above, the advent of Artificial Intelligence opened wide and denounced the obsolescence of processes that no longer made sense to college students, giving an opportunity to rethink the teaching process. Thus, it is necessary that the demands of the educational process be modified according to the reflection on learning itself.

It is believed that, when properly used, GPT Chat can contribute to stimulating creativity, gamification, a growing trend in the market, and strengthening active learning methodologies, such as SCRUM. Not only that, it talks and approaches the "students of the future" who are, *par excellence*, digital natives. And it allows assessments, previously standardized, to be more adaptable for measuring the singularities of each individual, returning to discussions related to Howard Gardner's eight intelligences.

Gardner began to observe individuals and come up against the idea of a one-dimensional concept of intelligence. Through his studies, he established the existence of multiple types of intelligence, which he condensed into the so-called 8 intelligences: Verbal-linguistic, Naturalistic, Interpersonal, Visual-spatial, Corporal-Kinesthetic, Musical, Logic-mathematical. Unfortunately, education still has difficulty working with this multiplicity of learning and ends up limiting teaching to a few types of intelligence. This is transformed by the advent of new technologies, which allow a greater adaptation of teaching.

On the other hand, the OPEN AI platform raised issues of authorship, management and democratization of access to knowledge, as it does not cite a source, it is not responsible for the veracity of the information used and does not recognize the original authors and producers of the disseminated knowledge. Therefore, he questions and further weakens the relationship that young people have with academic production.

In this sense, excessive reliance on GPT Chat for task resolution can prevent students from developing fundamental learning skills, such as critical analysis and problem solving. With the ease of finding ready-made answers in the GPT Chat, the student can fail to exercise the capacity for logical and creative reasoning, which are essential skills for cognitive development and for success in academic and professional life.

Another negative point brought on by GPT Chat is the weakening of the relationship between professor and student. As the philosopher Zygmunt Bauman states, it is not just the intellect of man that is being intrinsically affected, more than that, the figure of the teacher. At the same time that the diversification of sources of knowledge helps in understanding that there is not a single truth, but rather perspectives and that knowing is building models of the world, the teacher is often discredited by students when faced with the possibility of finding everything about anything in the blink of an eye.



AND HOW SHOULD UNIVERSITIES DEAL WITH THIS CHALLENGE?

According to data collected in the AI Readiness Index 2019 report, carried out by Oxford Insights, Brazil is in 40th place regarding the implementation of Artificial Intelligence solutions.

Thus, it is clear that fighting GPT Chat and other AI platforms is fighting a battle against a cannon armed with sticks and stones. However, one cannot fall into the skepticism of thinking that humanity is about to fall into a dystopian and pre-apocalyptic scenario. Faced with the dilemmas imposed by the software, it is necessary for school institutions, families and individuals themselves to rethink the way of dealing with life around them.

Universities have a differential that is not found in AI, being a space for the construction of student thinking, being a nucleus for the analytical development of ideas between different thinking beings. From this, if the platform is well explored, AI can serve more as a tool than an obstacle to educational training. This is because, as it facilitates access to information, GPT Chat can contribute to learning and carrying out operational tasks, inherent to any job, leaving more time and space for more complex and analytical teaching, typical of the university environment.

As previously mentioned, the information memorization model is occupying an increasingly smaller space in academic production. Consulting the internet, and even more so the GPT Chat, will largely replace human memory, which is infinitely more limited. Bearing this in mind, it is interesting for teaching centers to raise awareness of AI, whether through debates or lectures, to reframe the use of the platform. Some of the relevant topics would be: the danger of plagiarism and fake news, the importance of authorship, caution with not exercising logical reasoning, and extreme dependence on technologies.

LEARNING TO LIVE WITH IT

Therefore, the GPT Chat comes to revolutionize the educational scenario, either positively due to the demand for a change in the way of learning that was already urgent in the face of contemporary sociocultural change – society of information – or negatively, by distancing students and teachers, creating an increased dependency from machines and distancing intelligence from the need for a human conscience.

Certainly, its existence requires an adaptation of the educational system, in the form of inserting technologies and educating the new generations. This could be done through a reform in the way of teaching, removing the repetitive character of it, and making it more analytical using GPT Chat as an ally in contemporary educational training. III

KEY TAKEAWAYS

- It is necessary to consider the negative aspects brought by techno-scientific innovations, in order to minimize their impacts and, simultaneously, maximize the positive factors brought by them.
- It is essential to adapt our ways of learning and teaching, considering that society demands different skills from those it was used to and now has more instrumental resources.
- The ability to conquer the natural world and develop complex systems is intrinsically linked to human nature itself.
- It is essential to encourage the use of platforms, together with a movement to redefine their uses. This awareness can have different formats and should be thought through by teaching centers.



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THE STUDENT'S FRIEND, THE EDUCATOR'S FOE: DEBUNKING CHATGPT'S CONTENTIOUS ACADEMIC REPUTATION



In a society that has become tarnished by malpractices from pollution to crime, perhaps ChatGPT is the push required to introduce teaching on ethics and honest thinking.



Eva Fitzpatrick, Trinity Business School

Runner up in the 2023 CoBS Student CSR article competition, explores the reaction to ChatGPT in academic circles and sees this as an opportunity to engage in long-required, positive change in teaching and learning approaches.

DOES CHATGPT MERIT SUCH AN OUTLOOK?

"To steal ideas from one person is plagiarism. To steal from many is research." In the world of academia, plagiarism is a lofty offence with sizable repercussions. ChatGPT's release on November 30th 2022 was undeniably successful, having surpassed 1 million users just five days after its release. While in terms of business productivity, it has gained notable recognition and positive feedback, alarm bells were raised amongst academic professionals with regard to the question of its role in facilitating plagiarism and undermining academic integrity.

This explosive development in technology grants students access to a platform which combines billions of data parameters, with the ability to interpret multifarious and complex questions. The result? The generation of nuanced and comprehensive essays, explanations and evaluations in seconds. Universities among other educational institutions have already been pushed to consider the reformation of learning as we know it, or are mediating the issue by introducing sizeable penalties in the event of passing off a bot's work as one's own.



Perhaps such a reaction isn't merited – although academia initially had its doubts about the infamous search engine Google, it transpired to have minimal negative implications on the quality of knowledge and skillsets with countless benefits to all of academia. The penultimate question is, could AI have even superior effects again (without encroaching on the empirical foundations of academic systems), or is ChatGPT truly the 'foe' of those who strive for knowledge growth?

THE STUDENTS' ROLE

Alternate learning outcomes and skill development is expected of varying levels of study when it comes to students. In primary school, children learn to read, write and carry out basic math. The aim is for this to be 'foundational' to secondary level, which develops skills such as discipline and understanding of more complex topics. Lastly, third-level students further their learning and skills development to the degree that they are further qualified for employment. Discipline could be ruptured at second level if homework is completed by ChatGPT to enable another hour of procrastination, while employment qualification is tainted if its foundations were generated by a chatbot. In-equitability will become embedded into our society from young roots should this reach a critical level, as (a) not all students have access to ChatGPT, putting them at a disadvantage and (b) those honourable ones who consciously refrain may be at a disadvantage to their 'cheating' peers. Similar equitability issues were posed by the response to academic interruptions during the Covid-19 pandemic. Those who had access to more or better technology (typically the privately educated) gained an 'unfair' advantage as a consequence.

However, the student does stand to benefit from this revolutionary technology in more ways than the obvious convenience, without the ethical implications. In every learning environment, the educator has limited time, resources and knowledge. This is remedied by ChatGPT, unrestrained by office hours and available for feedback instantly, 24 hours a day. Its capabilities allow it to interpret tailored requests to 'explain' concepts a student may lack understanding in, and provide harmless inspiration that could constitute a student's 'research'. Prompts fed to the chatbot could aim to provide students with inspiration and fresh ideas, expanding the scope and quality of their responses.

Furthermore, Mr Ray Kurzweil, an American computer scientist, supports the notion that "The ultimate goal of AI is not to create machines that are intelligent, but to create machines that make us more intelligent." Instead of viewing the issue as hindering students' skill development and creating biased work, one could see it as forcing students to adopt a more in-depth understanding of the concepts at hand. It's no secret that ChatGPT can spew nonsensical information (due to its beta formatting) which a student must be able to identify. They are pushed to interpret the information to confirm its reliability and then apply it to the given task or question. Moreover, students must competently consider the issue to generate the optimal prompt or question which they should input into the Chatbot, in turn rendering the most pertinent answer.



DO EDUCATORS BELIEVE THAT THEY ARE STOPPING STUDENTS FROM USING CHATGPT BY 'BANNING' IT?

It's likely that they are very much aware of student's usage of the AI model despite potential repercussions. A consequence of this knowledge has been the growing debate of how student assessment should be approached, and how Universities or other educational institutions instil honest ethics throughout their student body. Imperfect 'solutions' have already been implemented, from blocking access to its domain while connected to University Wi-Fi to scheduling faculty meetings with students in which they demonstrate their understanding of the essay they wrote. Internet-based plagiarism detection platform Turnitin, which is commonly used in third-level education institutions already has the capability to detect submissions generated by ChatGPT.

Despite this fact, students can evade detection relatively easily. While policing the authenticity of work is justifiably an important facet of educators' work, experts have proposed superior methods for limiting plagiarism via ChatGPT and other AI chatbots.

IS THE CURRENT ACADEMIC SYSTEM IN NEED OF REFORM?

Primarily, they are now faced with the task of reforming their assessment systems, especially essay-related tasks. This raises the question: Were these methods outdated or negligible in nature as it was, or has ChatGPT merely created inconvenience? The structure and content of lessons or lectures could fall under this umbrella of reform. Furthermore, educational institutions may feel obligated to introduce compulsory lessons in ethics and the reasonings behind important issues such as academic integrity. In a society that has become tarnished by malpractices from pollution to crime, perhaps this was the push required to introduce lengthy teaching on ethics and honest thinking.

The wake of paranoia this technological development has left is in some ways a dramatic overreaction, given ChatGPT's beta format and tendency to provide inaccurate information. For the cases in which a student evidently lacks understanding or hasn't sufficiently reviewed AI's response, correctors would most likely easily identify the chatbot's contribution to the submission. Notwithstanding this observation, OpenAI (the developer of ChatGPT) has unveiled the looming release of ChatGPT4. Specific details have yet to be disclosed, but reportedly this updated version will be "more creative" and "less likely to invent facts". If this is indeed the case, educators will waste more time attempting to identify plagiarism via AI and may be forced to rapidly overhaul their teaching methods. Alternatively, students' learning will be further facilitated and ameliorated, in addition to a positive demonstration of morality and ethics.

WHERE SHOULD WE STAND?

The bottom line is that its unlikely classical skills will ever truly become outdated, as they command too much respect both within and outside academic realms. Besides, independently of these skills, ChatGPT wields little power. It can be a flawed weapon if brandished carelessly or backed by the wrong values. Reality is such that reform of academia as we now know it may be triggered, but really this begs the ultimate question of whether this was impending and necessary. It was developed to be a tool for ameliorating our academic potential, not encroaching upon its authenticity, but the degree of verity in this claim is debatable.

Finishing on Kentaro Toyama's 'law of amplification' which he notes in his book *"Geek Heresy: Rescuing Social Change from the Cult of Technology,"* the effectiveness of any resource or tool is capped by existing capabilities and knowledge. AI can only facilitate us in terms of presenting existing knowledge, but its efficient sourcing and human application of it is where we continue empirically expanding human knowledge. Critical interpretation and classic skills will remain necessary, as ChatGPT users must immunise themselves to the bias and false notions presented as a consequence of the chatbot regurgitating flawed existing information (not to mention nonsensical or incorrect data). Continued vigilance and strong morals will drive academic growth from all parties and aspects once paired with this pioneering new technological development. ///

KEY TAKEAWAYS

- ❑ In primary school, children learn to read, write and carry out basic math. The aim is for this to be 'foundational' to secondary level, which develops skills such as discipline and understanding of more complex topics. Lastly, third-level students further their learning and skills development to the degree that they are further qualified for employment.
- ❑ Discipline could be ruptured at second level if homework is completed by ChatGPT to enable another hour of procrastination, while employment qualification is tainted if its foundations were generated by a chatbot.
- ❑ In-equitability will become embedded into our society from young roots should this reach a critical level, as (a) not all students have access to ChatGPT, putting them at a disadvantage and (b) those honourable ones who consciously refrain may be at a disadvantage to their 'cheating' peers.
- ❑ But ChatGPT offers students benefits: In every learning environment, the educator has limited time, resources and knowledge. This is remedied by ChatGPT, unrestrained by office hours and available for feedback instantly, 24 hours a day. Its capabilities allow it to interpret tailored requests to 'explain' concepts a student may lack understanding in, and provide harmless inspiration that could constitute a student's 'research'.
- ❑ ChatGPT can drive necessary change: Educators are now faced with the task of reforming their assessment systems, especially essay-related tasks. This raises the question: Were these methods outdated or negligible in nature as it was, or has ChatGPT merely created inconvenience?
- ❑ The structure and content of lessons or lectures could also fall under this umbrella of reform. And educational institutions may feel obligated to introduce compulsory lessons in ethics and the reasoning behind important issues such as academic integrity.
- ❑ In a society that has become tarnished by malpractices from pollution to crime, perhaps ChatGPT is the push required to introduce lengthy teaching on ethics and honest thinking.

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DEGLOBALIZATION IS ANOTHER KIND OF GLOBALIZATION



Digitalization is a kind of globalization in deglobalization.



Lijun Song, MBA participant and Winner of the 2023 Student CSR Article Competition at **School of Management Fudan University**, sees

deglobalization as an opportunity – despite the risks to business – and calls for firms to focus on three factors to help them innovate and improve their brands: digital, local presence, and a focus on ESG.

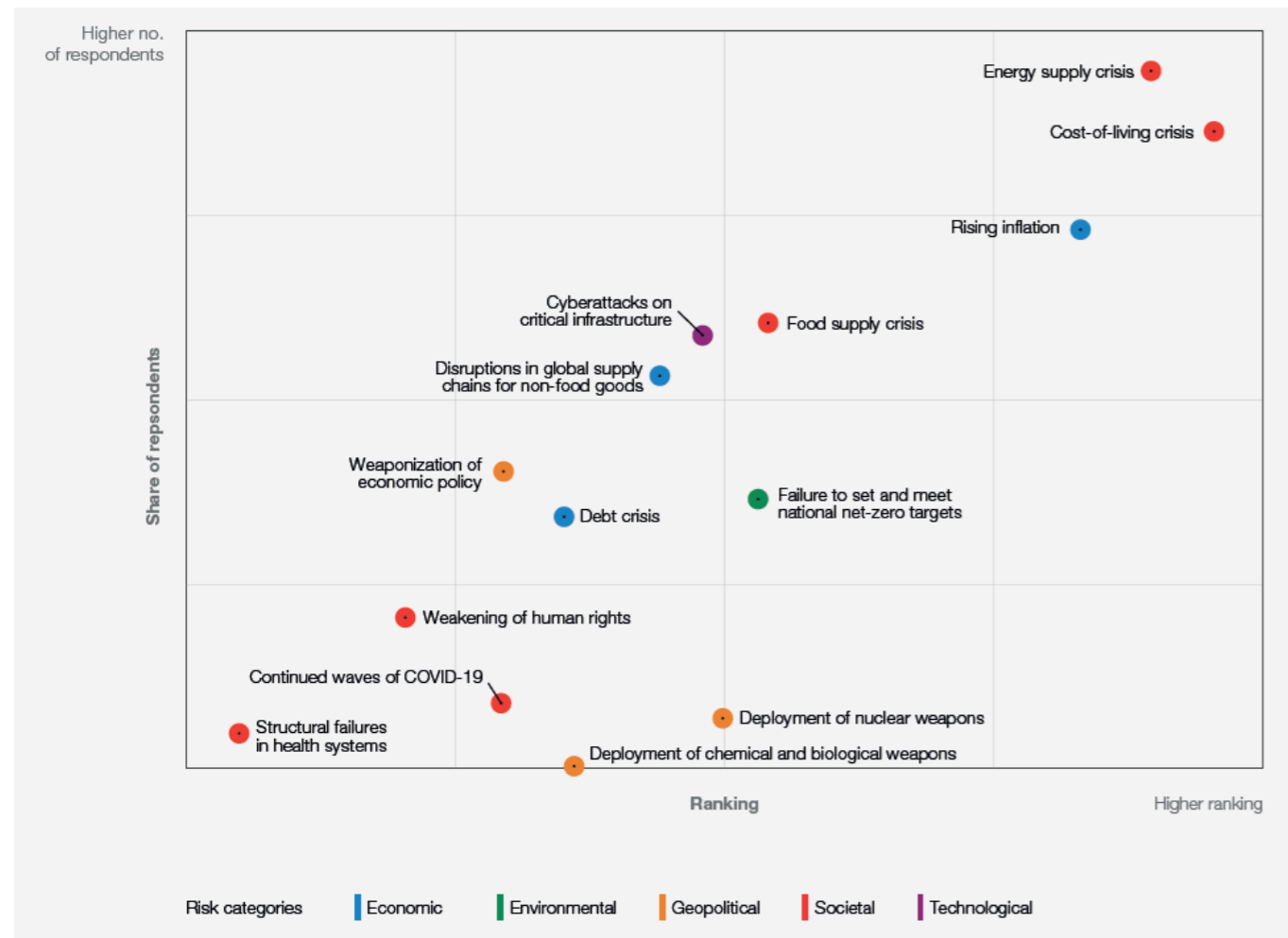
WHAT MNCs CAN DO IN THE TREND OF DEGLOBALIZATION

D eglobalization is a fact that people all around the world are facing. The United States, the champion of globalization over the past four decades, has shown prominent isolationist and protectionist characteristics in recent years in its foreign political and economic policies. In addition to the United States, most countries in the world also have their own political and economic policies about deglobalization. Moreover, deglobalization has been both an economic and political problem – which makes global business much harder than before.

Parallel to this, MNCs are facing myriad risks from 3 years of Covid-19 impact, some of which are outlined below.

The 2022-2023 Global Risks Perception Survey (GRPS) chose Energy supply crisis, Cost-of-living crisis, Rising inflation; Food supply crisis, and Cyberattacks on critical infrastructure as among the top risks for 2023 with the greatest potential impact on a global scale. All of these have an effect on MNCs' business worldwide.

For example, from economictimes.com (Jan 28th, 2023), we see that 'So far, 503 tech companies have laid off 1,39,165 employees in 2023, according to tracking site Layoffs. Twilio, LinkedIn, Zoom, Dell, Pinterest and Tinder owner Match are among the companies that have joined the layoff bandwagon more recently in a bid to rein in the costs amid a looming global economic downturn.'



Source: Global Risk Report 2023, WEF

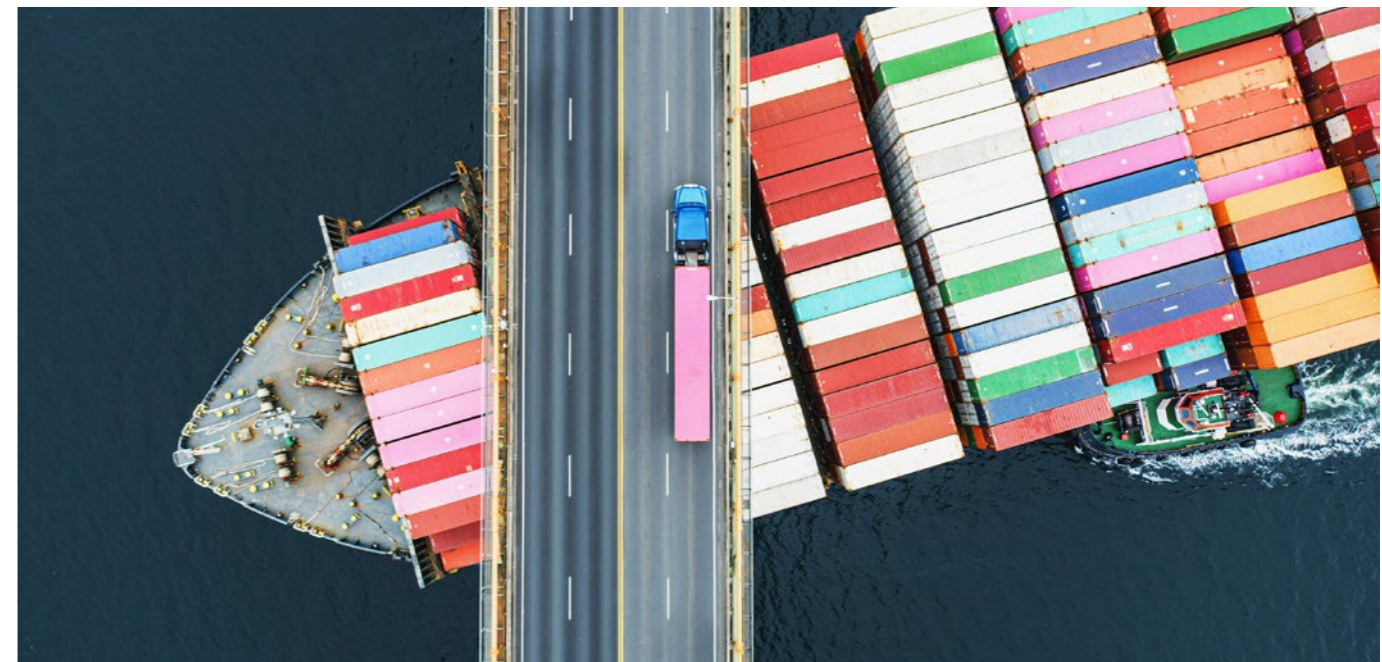
What should MNCs do in the current situation? Deglobalization is inevitable – MNCs should seize the opportunity to do something for sustainability and the prosperity of their business. And there are some suggestions which can help MNCs to aim for another kind of globalization.

FIRSTLY, BE MORE DIGITAL.

Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business. Digitalization is a kind of globalization in deglobalization. Indeed, one positive impact from the Covid-19 pandemic is that the digitalization of the world has been accelerated. And in the trend of deglobalization, it shall be continually developed. Moreover, digitalization can help MNCs to increase efficiency, productivity and reduce operational costs. If MNCs can effectively utilize it, digitalization can also improve customer experience and employee morality, increase the transparency of communication, and hence improve the company's competitive capability.

There are more business potentials for MNCs in a digital era – basically because it means the world is a bigger place. Using digital marketing as an example, holding a marketing event in an offline exhibition, with a defined date period and defined location, limits the reach to potential customers. On the other hand, marketing activities online for 24 hours per day worldwide via the internet can normally have a much wider range of business potential. Online meetings with Teams, Zoom or other virtual meet up software help people to see each other in a timely way and talk to each other wherever you are.

Recently, ChatGPT made it to almost everyone's screens throughout the world. With this AI incorporated into current operations, our world will be smaller, and the efficiency of many jobs and tasks will be incredibly increased or even totally changed.



SECONDLY, HAVE MORE LOCALIZATION.

MNCs would be wise to adapt and optimize their products or services to meet the needs of a particular language, culture or desired population's 'look-and-feel' in the country or regions their branch companies are located. Moreover, this could help make the various divisions of a company more likely to be a 'local' company. What is the benefit of localization for MNCs? There are at least 3.

1. More trust

Cultural differences can be a disadvantage for a company, but localization can turn culture differences into an advantage. For example, in a non-English speaking country, marketing events for customers tied in with their native languages could help win more of their trust and understanding than talking with them in the lingua franca of globalization – English. This would help companies increase both sales and customer satisfaction.

2. Better company image

The success of MNCs in developing globally and receiving support from local governments is largely due to their good corporate image and popularity. Take China as an example. The Chinese government, enterprises and people often regard localizing personnel, corporate culture, materials, marketing, etc. in China as a criterion for judging whether MNCs are beneficial to the country. For MNCs localize their operations in China, invest in projects, and use Chinese resources to improve the visibility of their business activity and improve their local image.

3. Cost reduction

Reducing overall production costs are an important factor. Multinational companies can make full use of the advantages of low production costs, human resource costs and manufacturing costs in the middle market, as well as reducing total costs and improving total efficiency, so that they always occupy an important market share in the increasingly fierce market competition.

FINALLY, FOCUS ON ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

Different from traditional financial indicators, ESG indicators assess the sustainability of corporate operations and their impact on social value from the perspectives of environmental, social and corporate governance. There are at least two benefits ESG can provide MNCs:

1. ESG makes a company more competitive

According to one survey in the US by PDI technologies in 2022, 78% of consumers agree they want to buy from environmentally friendly companies, but don't know how to identify them. 68% of those surveyed use labels or third-party certifications on product packaging to determine if a product is environmentally friendly, with that number jumping to 79% for Gen Z and Millennials. In addition, 66% say they would be willing to pay more for a product that is environmentally friendly—up 2% from last year. And the survey also showed that all generations are concerned about the environmental impact of the products they buy.



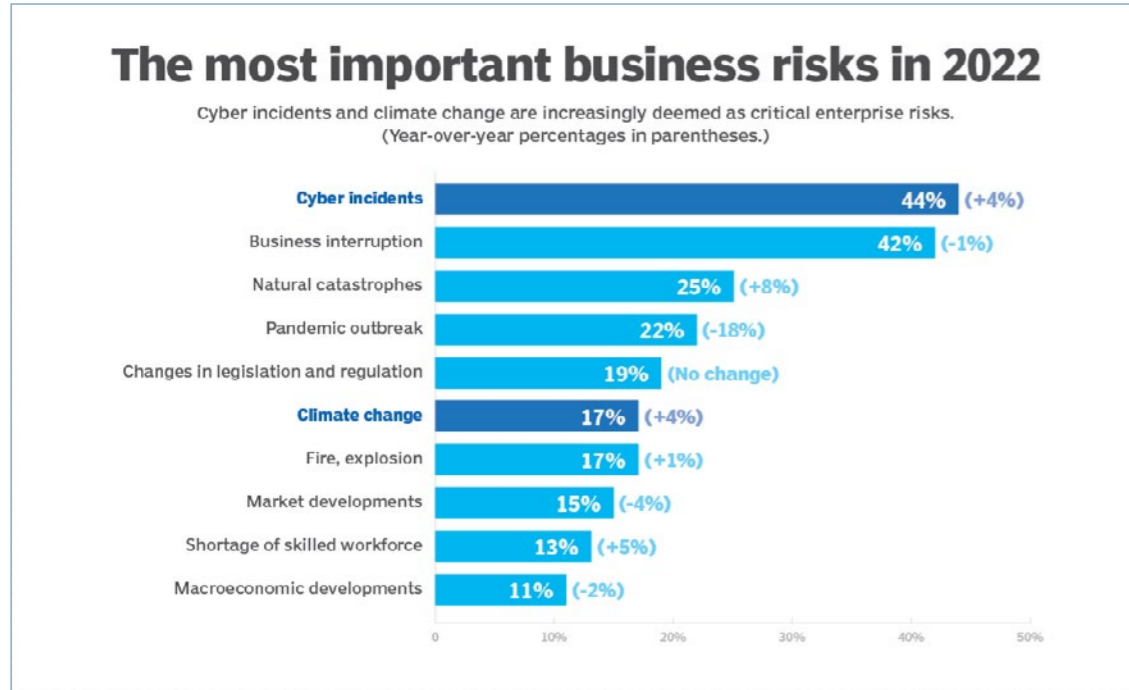
Source: PDI Technologies

In a 2021 survey conducted by Accenture of more than 25,000 consumers across 22 countries, 50% reported that they realigned their priorities when shopping for brands as a result of the COVID-19 pandemic. These consumers are willing to pay extra for brands that are aligned with their values and are more loyal to companies that treat people well.

2. ESG makes company operation sustainable

On the one hand, companies that properly integrate ESG frame works into their business can help the company to reduce costs, lower energy consumption, and even total cost saving in their operations. And on the other hand, investors and lenders are more likely to spend their money on those companies who have an ESG strategy and, to a certain degree, who are certified by an ESG 3rd party certification body. With ESG certification, investors and lenders see these companies as a lower risk for them.

It must be said that Cyber incidents and Climate change are two fast increasing risks for business in 2022.



Source: Allianz

However, the world is changing every day. In 2023, no-code AI will enable any business to leverage its power to create more intelligent products and services. Contactless autonomous shopping and delivery will also be a trend. All in all, it is essential for MNCs to always adapt their strategies according to the new world and new changes for their better development. ///

KEY TAKEAWAYS

- ❑ MNCs should enhance their digitalization.
- ❑ MNCs should pay more attention to their localization and spend more efforts in it.
- ❑ MNCs should focus on ESG strategy and related topics.

A KNOWLEDGE-DEDICATED EMAGAZINE WITH A TRULY INTERNATIONAL PERSPECTIVE

9
CURRENT SCHOOLS

14
CAMPUSES

5
CONTINENTS

323,000
ALUMNI

40,083
STUDENTS & PARTICIPANTS



ACCOUNTING FIRMS: CAN THEY INFLUENCE COMPANIES' INHERENT MOTIVATION TO BE GOOD?



“
Companies have an inherent motivation to be good.”



With the publication of **Responsible Finance and Accounting: Performance and profit for better business, society and planet** with

publishers Routledge, a spotlight on contributor Professor **Qinqin Zheng, School of Management Fudan University**, and her research insight included in the book.

Related research: The Influence of Accounting Firms on Clients' Immoral Behaviors in China, Qinqin Zheng & Zhiqiang Li, *Journal of Business Ethics* (2010) 91:137–149 _ Springer 2010 DOI 10.1007/s10551-010-0572-4.

Qinqin Zheng's research has been published in many highly regarded research journals on an international level. A professor of business administration at the prestigious School of Management Fudan University, China, her research has explored many facets of the world of business and management and its impact on wider society.

For this first book in the Routledge-CoBS collection, Professor Zheng offers an insight based on her research originally published in the *Journal of Business Ethics* exploring whether the special ties between accounting firms and their clients can influence ethical – or unethical – behaviours.

Featured in the new book, Prof. Zheng's insight *For Better or for Worse? The special ties between accounting firms and their clients – influence and behaviours* provides readers with an empirically-researched view of this crucial, though complex business relationship.



INFLUENCE – YES. BUT NOT HOW YOU MIGHT HAVE THOUGHT

For Professor Zheng, three points in particular can be drawn from the book insight. First, that through their professional expertise and proximity to their client and financial information, accounting firms have the capabilities to detect clients' unethical accounting information disclosure.

However, her research finds that the rate of unethical behaviour is not – as we might have thought – significantly reduced by accounting firms with higher capabilities and qualifications.

Instead, according to Prof. Zheng, a longer duration of relationships between the accounting firm and the client is associated with a significant reduction in the rate of unethical information disclosure by listed companies.

"These takeaways are important in the context of responsible finance & accounting as they go beyond some of the traditional perceptions on accounting firms such as collusion and capability discrimination," says Prof. Zheng. Indeed, "accounting firms," she continues, "as important others in a firm's ecosystem, can impose positive influence on the behaviours of clients from the perspective of virtue ethics."

In addition, accounting firms typically possess professional codes of conduct which, points out Prof. Zheng, primarily pay attention to accounting firms' self-regulation – also serving to have further effect through accounting firms to their clients.

By strengthening the professionalism and ethical standards of accounting firms, Prof. Qingqin Zheng believes that the quality of financial reporting will be enhanced. With the positive result that companies will be more likely to engage in responsible and sustainable business practices.

"Companies have an inherent motivation to be good," states Prof. Zheng. And as such, ethical important others in their sphere of stakeholders – such as accounting and audit firms – can improve corporate moral standards and help to create a virtuous cycle." ///

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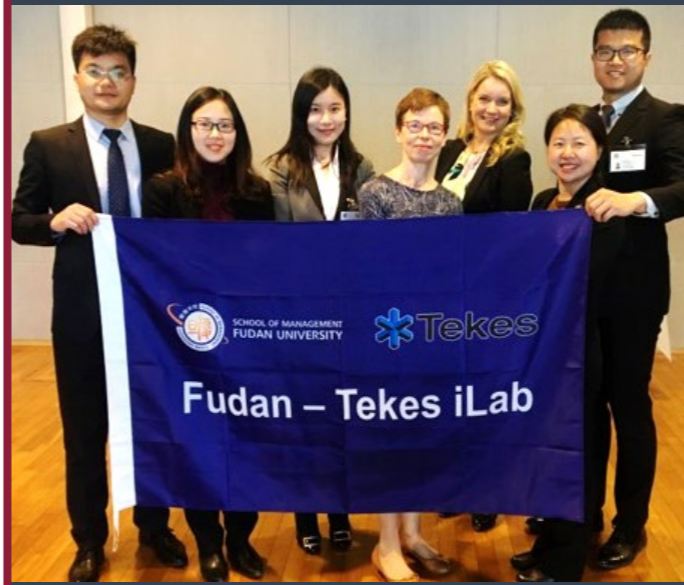
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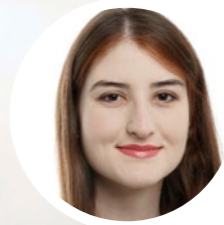
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**BRAVE NEW WORLD
– HOW CAN WE
NAVIGATE IN THE NEW
WORLD ORDER OR
HAVE WE ALREADY
SEEN IT ALL?**



MNCs can be a powerful voice in finding a new economic system incorporating economic stability and social welfare. This could lead to a new wave of globalisation.



Céline Sophie Lüdtke, ESSEC MiM student and finalist in the 2023 CoBS student CSR article competition, explores the facts behind deglobalisation to offer a glimpse of what a new world approach to business and trade and business might be.

The word “deglobalisation” seems to hang like the sword of Damocles above our heads. However, it is necessary to understand the notion in both its systemic and practical implications. It encapsulates both the decline of political and economic cooperation. The 1970s heralded the era of the Washington Consensus as well as presumed the “End of History” (Fukuyama, 1992), arguing the victory of liberal democracy and neoliberal institutionalism. However, the rise of China as well as the general instability of the economy under the Washington consensus has led to a re-organisation of the word order and hence a “slowbalization” (Aiyar and Ilyna, 2023). MNCs now have to decide on how to navigate in this new world.

A SNAPSHOT OF INTERNATIONAL ECONOMIC HISTORY

De-globalisation is not a recent phenomenon. In fact, it is not even a new phenomenon. One could even go back as far as antiquity to identify rise and decline of globalisation. International trade has existed for a long time – trade routes such as the silk route were discovered and used for centuries and port cities like Venice, Bruges or Lisbon gained unprecedented wealth. However, due to social and political unrest and even pandemics (most famously the bubonic plague) slowed down or led to a decline of globalisation. Only because “globalisation” has become a keyword in recent discourse does not make it a new development in human history.



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The first time we experienced de-globalisation in modern history was in the interwar period (WWI and WWII) which was, unsurprisingly, coined by protectionism and strong nationalist tendencies. Globalisation was on the rise again in the post-war period (Aiyar and Ilyna, 2023). There, social welfare and reconstructing the economy were major objectives of the Western global order. Stabilising the economy was achieved through the “Bretton Woods Agreement”, which essentially fixed global exchange rates against gold (of which 2/3 were held by the US) as well as the US-Dollar. International institutions such as the IMF, the WTO and the World Bank were to oversee the system (Pozuelo-Monfort, 2015). In broader economic history, John Ruggie referred to this period as “Embedded Liberalism”. It describes market processes and business activities being constraint by social and political objectives and rewards to create a balance between global free trade and national welfare. It ended in 1972, upon the collapse of the Bretton Woods system (Baylis et al., 2014).

THE WASHINGTON CONSENSUS – AN ILLIBERAL LIBERAL APPROACH?

The Bretton Woods agreement established numerous international institutions governing the international trade and business. After its collapse, these institutions, most of which were based in Washington, gained even more importance and effectively governed global business. Together with a rise of liberal leaders such as Margaret Thatcher and Ronald Reagan, leading (Western) countries controversially committed to trade liberalisation, elimination of domestic subsidies, liberalisation of FDIs, privatisation of state industries and, among others, to deregulation of

industries and reduction of non-tariff barriers to foreign capital investment. These policies, primarily pushed by the US, are referred to as the Washington Consensus, or in a political economy context, as neoliberalism. This economic ideology especially after the collapse of the USSR was coined by US-American hegemony. Less powerful states needed to adhere to the Washington consensus in order to participate in international business, even if it was a disadvantageous framework.

Today, critiques of neoliberalism pinpoint it as the reason for rising inequality and financial deregulation, ultimately leading to the global financial crisis in 2008 (Rodrik, 2017).

THE DECLINE OF US HEGEMONY AND DOMESTIC RESISTANCE GLOBALISATION RULES

At the very latest, the crash of the global financial system and the resulting economic crisis showed many countries that neoliberalism was not an ideal, even unstable solution. Additionally, starting from the 1990s, most notably China together with other emerging countries gained more economic and political importance (ecpr, n.d.). Moreover, the EU emerged as a more and more integrated partner, unifying numerous countries and representing and economic power player.

At the same time, innovation and poor domestic policy decision-making led to many people in the western hemisphere to feel “left behind” by the elitist politicians and rise to right-wing populist movements, infamously spear-

headed by Donald Trump. These movements heavily critiqued globalisation and actively worked against it. For example, in March 2018, Trump imposed tariffs on steel and aluminium imports to protect American producers as part of his “America First” doctrine (Swanson and Eavies, 2020).

Together with the Russia-Ukraine Crisis and the rise to power of China, the world is no longer governed by a US-American unipolar world order, nor by the mechanisms put in place by the Washington Consensus.

CAN WE EXPECT A NEW BIPOLAR WORLD ORDER?

Nowadays, the structural bipolarity of the US and China is widely regarded as a fact. Economically, there is a strong interdependence between China and the US – the US exports and imports more from and to China than from any other country and China has experienced unprecedented levels of growth once it started trading globally (Berman and Siripurapu, 2022).

However, there are many points of friction making a peaceful and orderly coexistence less and less likely. Tensions mostly stem from currency manipulation, labour and human rights violations and perceived national security interests and different understanding of territorial sovereignty (Parry, 2021).

During the Covid-19 pandemic, the strong dependency on China has become more visible. On May 5th 2021, the EU presented its new industrial strategy with plans to reduce its economic dependency on China (Clarke, 2021). Similarly, President Joe Biden has continued his predecessor’s policies towards China believing that the US must “decouple” from China. Due to economic and national security reasons, he argues that US dependence on Chinese products and supply chains must be reduced (Kucik and Menon, 2022).

These developments will ultimately lead to peripheral countries having to “decide” for a side in the conflict. However, contrary to the previous Russian-American bipolarity and the “iron curtain”, powerful players such as Brazil, India and the EU will have less extreme ties to whichever side they chose – paradoxically giving this bipolarity a multipolar character. Roughly, most Asian countries and Russia will side with China, as will many African countries due to high Chinese investments. Traditionally, Europe and South America will side with the US block.

MNCs WILL HAVE TO STRATEGISE

As neoliberal institutionalism is breaking down and bipolar politics decide rules for business relationships, it is likely that MNCs will have to decide within a sphere of influence. The recent stark deterioration of the relationship between the West and China will possibly lead to a trade war and to a breakdown of long-established supply chains. To guarantee an uninterrupted functioning of their business, MNCs will have to re-orient their business model either towards China or towards the US sphere of influence and find new suppliers as quickly as possible.

Another option could be a complete decentralisation of the company – making any affiliation to either one of the blocks unrecognisable (Witt, 2021). This would entail a radical change of management style – giving local managers more responsibilities, influence and control. In return, investments in training and recruitment, possibly even in the setup of new strategic locations would be necessary.

IS NEUTRALITY POSSIBLE?

A seemingly interesting option would be to remain neutral in the conflict. At a first glance, not showing alliance to either block seems like an elegant solution. However, neutrality in this context is hardly an option and has shown to lead to lose-lose situations (Witt, 2021). In 2021 H&M received a huge backlash from Chinese consumers when they stopped using Xinjiang cotton due to reports of Uyghur forced labour (Paton, 2021). Had they continued using the cotton, the same would have happened with Western consumers. In the end, H&M recognised Taiwan to be part of China, appeasing the Chinese administration but ultimately having to deal with another controversial issue in the Sino-Western relationship.

Due to increasing government involvement in business relationships, quid-pro-quo situations have come up. When Germany decided against Chinese provider Huawei to build its mobile 5G network due to security concerns, the Chinese ambassador casually threatened retributions targeting the German car industry (Bennhold and Ewig, 2020).

Furthermore, human rights violations and national security concerns will ultimately bring many companies in difficult situations. Companies will have to question more than ever their ethical responsibility towards the locations they operate in.

THE FUTURE OF SOCIAL VALUE CREATION

The re-orientation towards national businesses and resources has been accelerated by both right-wing populism and the Covid-19 crisis. Especially the Covid-19 crisis forced procurement managers to find strategies to get past the supply chain inertia. However, while some global ties might be lost, there are opportunities for cooperation with local suppliers and businesses.

Supply chain security might lead MNCs to find resources closer to their production/ market sites, even if they might not compete with the best pricing models.

Moreover, in the consumer goods sector cooperation with traditional, small businesses would strengthen the position of the SMB owners and their employees, leading to long-lasting poverty alleviation. These invaluable relationships could also be used to broaden the MNC’s ESG programme – by investing in small high impact projects and the local people. This way, a new wave of intrapreneurial innovation could lead to long-term stability and growth. Having economic stability in return would also, as seen historically, lead to a new wave of globalisation.



RETURNING TO A NEW “EMBEDDED LIBERALISM MODEL”?

In the post-war period, international political and economic relations had to be repaired and many countries had to be rebuilt. The idea behind embedded liberalism, i.e. to focus on social welfare and economic stability was ideal in that situation. Considering the current social, economic and political atmosphere of unrest, a similar approach could be beneficial. This time, it would be necessary to find a new consensus, build or rebuild institutions where as many countries as possible have their interests heard and united. MNCs could have a pivotal position in forming these new rules, being in the unique position of operating in spheres of numerous national interests.

DEGLOBALISATION – AN OPPORTUNITY FOR ESG?

Today, deglobalisation is an incontrovertible fact. It goes hand in hand with the decline of US hegemony and the slow collapse of the Washington Consensus. New powers have emerged in the international order, most notably China. Conflicts with Russia, China as well as the Covid-19 pandemic have underlined the new bipolar world order, where a declining and a rising hegemon are competing while having deep economic ties.

MNCs are now in the difficult situation to navigate in this new power balance while being less and less able to rely on the economic institutions established under the Bretton Woods agreement. Due to the tense economic and political environment, long-term strategies have to be found, which could either centre around choosing a block as a sphere of influence or decentralising and localising to an extent where affiliation to either side will be impossible.

However, this localisation could be used to further advance with ESG goals by investing in small SMBs and profiting of the know-how present in the local economy. More broadly, MNCs could also be a powerful voice in finding a new economic system to finally replace neoliberalism, both incorporating economic stability and social welfare. This could lead to a new wave of globalisation. ///

KEY TAKEAWAYS

- The rise of China as well as the general instability of the economy under the Washington consensus has led to a re-organisation of the world order and hence a “slowbalization”. MNCs now have to decide on how to navigate in this new world.
- Together with the Russia-Ukraine Crisis and the rise to power of China, the world is no longer governed by a US-American unipolar world order, nor by the mechanisms put in place by the Washington Consensus.
- MNCs will have to re-orient their business model either towards China or towards the US sphere of influence and find new suppliers as quickly as possible.
- Another option could be a complete decentralisation of the company – making any affiliation to either one of the blocks unrecognisable. This would entail a radical change of management style – giving local managers more responsibilities, influence and control. In return, investments in training and recruitment, possibly even in the setup of new strategic locations would be necessary.
- A focus on national markets could be used to further advance with ESG goals by investing in small SMBs and profiting of the know-how present in the local economy.
- MNCs could also be a powerful voice in finding a new economic system to finally replace neoliberalism, both incorporating economic stability and social welfare. This could lead to a new wave of globalisation.



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CHAT GPT – THE BIGGEST DISRUPTOR TO EDUCATION SINCE THE CALCULATOR



Society is on the precipice of an exciting new outlook on learning.



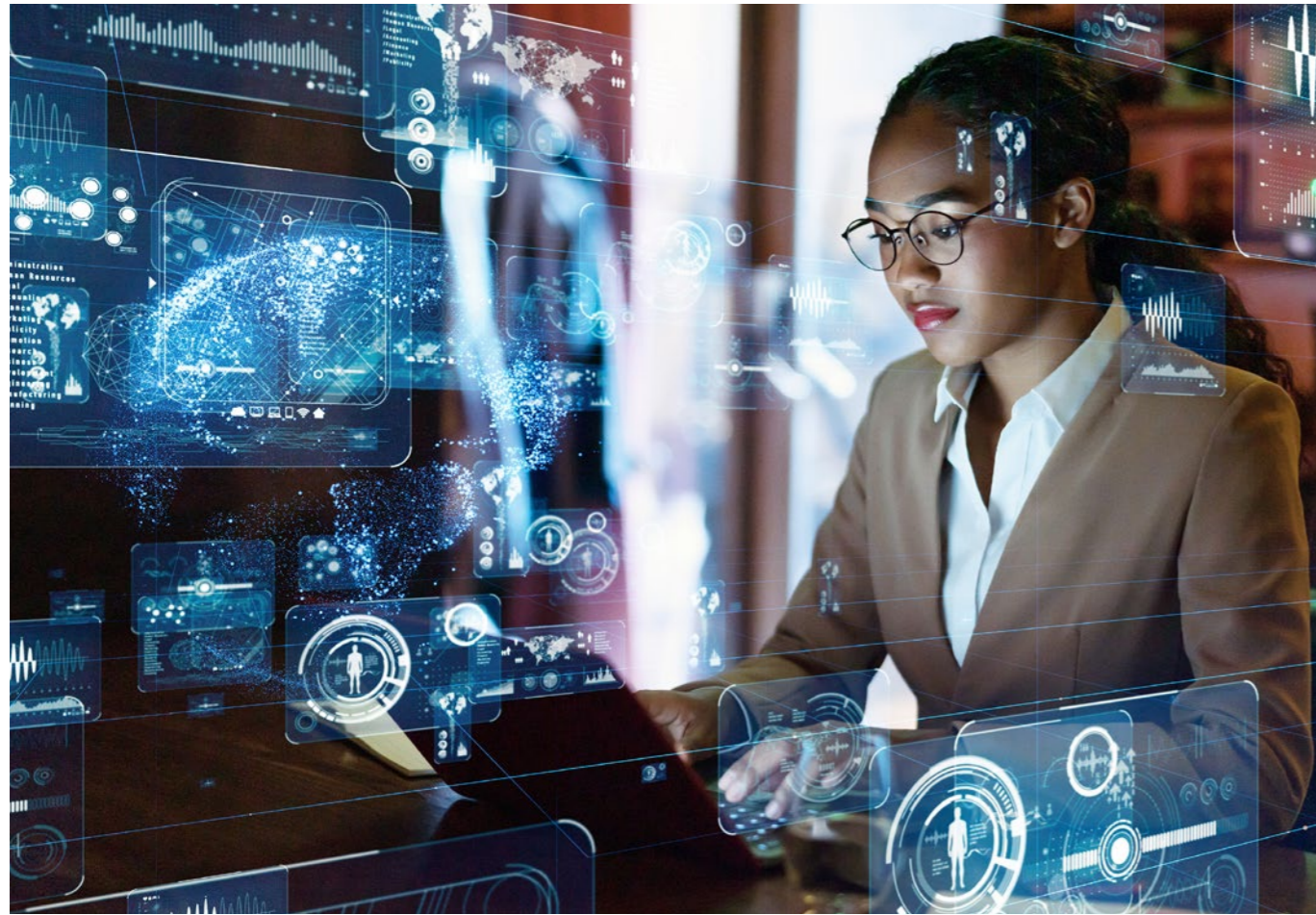
Brianna Cairns, Bachelor of Commerce student at **Smith School of Business**, looks into how students learn to assess the limitation – but also the opportunities – that ChatGPT can offer.

ChatGPT's impact on education can be paralleled to a double-edged sword – on the one hand, it's a powerful tool that can cut through the toughest academic challenges like a hot knife through butter. But on the other hand, if not used responsibly, it can dull the sharpened mind of a student, leaving them with a blade that is ineffective in the real world. So, it's up to educators to wield this tool with care and precision, guiding their students to use it wisely and effectively, while still honing their critical thinking and problem-solving skills. Or at least that is what ChatGPT says when asked to "write a clever analogy to explain the impact of Chat GPT on education".

ChatGPT, a large language model developed by OpenAI, has taken the world by storm since its launch in November 2022. And academia has been no exception; the powerful tool that can generate human-like responses to a wide range of prompts has sent many educators into a panic. The advent of ChatGPT has revolutionized the way students learn and threatens to disrupt the basis of the modern education model right down to its core. Universities must adapt their curriculum and academic integrity policies to meet such innovation or risk becoming obsolete.

CHATGPT – THE OVER EAGER INTERN EVERY STUDENT WISHES THEY HAD

Chat GPT, much like an over eager intern working their first corporate job, is happy and willing to remove monotonous



busy work from the life of its superior. When this superior is a student, ChatGPT can make a profound impact on daily life. Students will no longer have to spend hours searching for information, as ChatGPT can provide them with the answers they need in a matter of seconds. Not only can ChatGPT provide answers, but it can also go as far as formatting these answers into any desired academic format including citations and references.

Numerous types of assignments that would normally be challenging and stretch the mind of the student, have simply become a task of generating a clear prompt and proofreading the response. As the New York Times explains, “this type of A.I. really is disruptive — to classroom routines, to longstanding pedagogical practices, and to the basic principle that the work students turn in should reflect cogitation happening inside their brains, rather than in the latent space of a machine learning model hosted on a distant supercomputer” (Rose, 2023).

ACADEMIA: WOEFULLY UNPREPARED

A student wielding this type of power in an education system that has not yet been able to adapt to the innovation presents a wide variety of challenges, with plagiarism as a primary concern for educators. Students can easily use ChatGPT to produce essays, papers, or other academic works; work that without proper citation or attribution, would be considered plagiarism. Further conservation has centered around how much a student can be inspired or pull from ChatGPT before

their submission is no longer considered their own. Defining where the line sits is an important yet divisive topic. The underlying question that plagues these debates is often left entirely unanswered and oftentimes even unaddressed. Has the structure of independent schoolwork as we know it become redundant? Now that this technology exists can we truly expect students to not exploit it, and would we want to stop them?

UNDERSTANDING THE “INTERN’S” LIMITATIONS

ChatGPT is not a magical omniscient program that can function above the restrictions of the average person, it is a technology that is very advanced but still deeply flawed. The perception that ChatGPT has all the answers creates a wide subset of problems, particularly in the hands of students.

A false sense of security can be developed in students who may detrimentally rely on the program for their learning, without developing independent critical thinking and problem-solving skills. This can lead to a lack of deeper understanding and hinder students’ ability to think critically and creatively. Ultimately this creates and promotes a culture of complacency and laziness that can quickly come to plague higher education.

ChatGPT has a list of limitations that need to be considered. While ChatGPT can provide students with a wealth of information, it may not always provide them with diverse

perspectives or opinions. This can also continue to limit students’ ability to think critically and consider multiple viewpoints (Hamdan, 2023). Also, to widen the scope, ChatGPT may sometimes provide students with incorrect or incomplete information, which can lead to confusion and misunderstanding. The understanding that any output can be fundamentally incorrect and deeply flawed is imperative for the user. ChatGPT can create very convincing outputs, even creating an explanation of a fake phenomenon look so compelling that Teresa Kubacka, a data scientist based in Zurich, Switzerland, needed to double check it was not actually real (Dr. Jason Wingard, 2023). Having the ability to decipher the real from the fake is a skill, as students become more dependent on this software, there will be a reduced ability to exercise and develop the wisdom to distinguish the truth from the fabricated.

EDUCATION IS IMPROVING ONE AI AT A TIME

Revolution is not always a bad thing, and the education revolution ChatGPT is set to insight has the potential to improve the learning process significantly. ChatGPT can be a beacon in modernized education that streamlines tasks and personalizes curriculum to match the student’s needs. Students armed with ChatGPT have the potential to remove monotonous tasks from their routine and instead focus more on what adds to their knowledge.

For example, students can ask ChatGPT to make flashcards from a textbook chapter to use when studying or even make an essay outline to help organize their thoughts. ChatGPT has great potential as a learning companion; it is an unprecedented multiplier of ability that can fundamentally change how students approach education (Bowman, 2022).

ChatGPT is designed to adapt to the user’s language and preferences, meaning students can receive customized learning experiences based on their needs (Hamdan, 2023). For example, if a student struggles with a particular topic, they can ask ChatGPT to explain it differently or provide more examples until they fully understand the concept. This can help students take charge of their learning, by providing access to real time unlimited one-on-one support, potentially reducing the need for office hours, and teaching assistants. Students can go as far as submitting textbook questions and their answers and ask ChatGPT to explain where they went wrong. Despite the positive potential of the program, there is still an apparent need to mitigate challenges that exist within and because of the technology. Managing this technology-driven disruption will not be a smooth process for educational institutions, even if it can make us better off in the long run. Among the worst things educators could do would be to let the drawbacks of these technologies deny students their benefits (Brickman, 2022).

CHATGPT – JUST ANOTHER PHASE OF HUMAN EVOLUTION

Humans at different stages of evolution have had to deal with varying levels of complexity; when humans were first learning how to apply basic arithmetic in industry, there were numerous people employed exclusively to write out handwritten calculations to be applied to what, at the time, seemed to be very complex industrial processes. Then the modern-day calculator was invented, and people still needed to learn how to do handwritten multiplication and division and understand the properties. But the emphasis shifted, once you learned the mechanics, the expectation was that you would have access to and would use a calculator. Humanity is at a similar stage again.



The overall level of complexity we can manage is drastically increasing due to a new disruptive technology.

Now that ChatGPT exists, it is the university's responsibility to adapt and prepare students for the world they will be entering after concluding their education. Ethan Mollick, a professor at the Wharton School of the University of Pennsylvania, stated, "large language models aren't going to get less capable in the next few years; we need to figure out a way to adjust to these tools, and not just ban them" (Rose, 2023). From now on, students will graduate into a world full of AI programs. They should be prepared for how to utilize this type of technology in their everyday life— learning AI's strengths and weaknesses, its hallmarks and blind spots — to understand how to best work alongside it. In order to be good citizens, students require hands-on experience to learn how this new AI works, what types of bias it contains, and how it can be misused and weaponized. This adjustment won't be easy. Sudden technological shifts rarely are. But who better to guide students into this strange new world than their teachers (Rose, 2023)?

MANAGING CHATGPT IN ACADEMIA

As aforementioned, some of the pillars of modern-day education may no longer be effective at judging a student's learning but rather a judge of their ability to prompt ChatGPT. This insight exemplifies the need for modernization in education to reflect the realities of the new learning environment. Universities should treat ChatGPT the way they treat calculators — allowing it for some assignments but not others and assuming that unless students are being supervised in person with their devices stashed away, they're probably using one (Rose, 2023).

If teachers want to ensure that students understand a topic and are not relying on AI technology, and it can be reasonably assumed that the given assignment could be done entirely by Chat GPT, it is likely becoming a less and less effective assessment. Assessment formats that have been a cornerstone of education need to pivot to remain relevant. Interactive assessments can be used to ensure both academic integrity and individual student learning. For example, a traditional discussion post often used for students to reflect on the module learnings can be replaced with live group discussions where students are graded on the quality of their contribution. This would ensure students have read and absorbed the module content, as ChatGPT cannot tell them precisely what to say due to the random nature of a live group discussion. Additionally, any take-home assignment or examination which is primarily theory implementation with little critical analysis should be pivoted to an in-person environment where students are either proctored or will not have access to a computer. This can help ensure that students still gain an understanding of the fundamental mechanics of a topic without entirely relying on AI.

That being said, there are a variety of assessments for students that already understand the general mechanics of a subject that need to be adjusted for modernization. AI is the new tool, and students should be trained on how to use it effectively and safely. This is an area where case-based learning can be very effective. A case-based approach engages students in discussing specific scenarios that resemble or typically are real-world examples. This method is learner-centred, with intense interaction between participants as they build their knowledge and work together as a group to examine the case. The instructor's role is that of a facilitator while the students collaboratively analyze and address problems and resolve questions with no single answer (Case-Based Learning | Centre for Teaching and Learning, 2020). This format is ideal in a post-ChatGPT world for many reasons; cases have layers, there is often a variety of conflicting perspectives to consider, it will likely require a multi-pronged solution, and a variety of theories to be applied to different sections of the case. AI such as ChatGPT is likely many generations away from being able to comprehend the level of complexity to give students an answer to complex issues.

Ultimately, ChatGPT is just the beginning of the forthcoming AI revolution. Education as we know it has already changed, now the question remains how universities will respond. ChatGPT is forcing modernization to occur in academia, society is on the precipice of an exciting new outlook on learning. ///

KEY TAKEAWAYS

- ❑ ChatGPT, a large language model developed by OpenAI, has disrupted the way students learn and threatens to disrupt the basis of the modern education model right down to its core.
- ❑ ChatGPT has the ability to remove monotonous tasks and make students' lives easier, but it can also lead to a lack of critical thinking and problem-solving skills if used excessively.
- ❑ Plagiarism is a primary concern for educators, and the line between inspiration and plagiarism is a divisive topic that needs to be addressed.
- ❑ ChatGPT has limitations that need to be considered, such as providing incomplete or incorrect information, limiting students' ability to think critically, and creating a false sense of security.
- ❑ Education revolution is not always a bad thing, and ChatGPT has the potential to improve the learning process significantly by streamlining tasks and personalizing curriculum to match the student's needs.

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MBA

THE COST OF INFLATION: A THREAT TO GLOBAL ECONOMIC GROWTH



Inflation will probably decrease over the next few years, but at the expense of economic expansion.



Quynh Nguyen, Runner Up in the CoBS 2023 Student CSR Article Competition at **IE Business School**, explores the spiral of inflation that has swept the world, highlighting the inability for supply to keep up with demand.

"How can I even buy a loaf of bread with only 200 pesos?" thought Elena, as she stood in front of the bakery staring at the loaves of bread displayed in the window. She had come to realize that the pursuit of a full life was becoming a luxury that only a privileged few could afford. Elena had always struggled to make ends meet, but with global inflation in 2022, her financial situation had become unbearable.

Elena was a single Argentinian mother of two young children and worked long hours as a waitress to support her family. Despite her hard work, she was barely able to pay for the basic necessities like food, rent, and utilities. Every day was a struggle to keep her head above water.

One day, while at work, Elena overheard a conversation between two customers about the soaring inflation rates. She realized that she was not alone in her struggles and that many people around the world were facing the same difficulties.

It is clear that the impact of inflation was felt not only by individuals like Elena but also by entire economies and nations.

Inflation



THE "GHOST" OF INFLATION IS AT A RECORD LEVEL

For many developing countries, high inflation is a constant risk. The last time inflation was as high as it was in 2022 in major economies was in the early 1980s. In the US, consumer prices are on track to rise about 7% in 2022, the highest level in four decades. In Germany, the rate is close to 10%, the first double-digit inflation since 1951.

Inflation has made a comeback and is causing concern for individuals, governments, and central banks around the world. Prices of many consumer goods have been on an upward trend in early 2022 due to the lingering impact of COVID-19 on the supply chain.

As soon as the COVID-19 pandemic was contained, with the widespread coverage of the vaccine and the efforts of the governments of other countries in implementing expansionary fiscal and monetary policies, the world's economy came out of recession. As a result, in 2021, the world economy recovered spectacularly with a growth rate of 5.9%, of which developed countries will reach 5.2% and emerging and developing countries will reach 6.4%. The US economy, the world's leading economy, grew by 5.7%, the highest growth rate since 1984.

Entering 2022, the world economy faced many uncertainties, including expansionary fiscal and monetary policies, disruption of supply chains, food crises, and especially the energy crisis due to geopolitical instability. The failure of supply to meet the sudden increase in demand after the pandemic is one of the main reasons for high inflation in developed economies, such as the United States and the European Union (EU), as well as in emerging and developing economies.

The Russian-Ukrainian conflict in February made the situation even more complicated. Oil prices rose about 30% as Western countries introduced sanctions against Russia, a major crude oil producer. Food prices have also increased sharply due to fertilizer and transportation costs, as well as Russia's blockade of grain exports from Ukraine.

This is equivalent to a shock in terms of economics. Sudden price increases for key commodities have quickly crept into the daily lives of people around the world. Millions of people in Europe, which has traditionally relied on Russian gas, struggled in the winter to stay warm. By 2022, food and fuels had accounted for more than half of total inflation.

THE INFLATIONARY STORM: A THREAT TO GLOBAL ECONOMIC STABILITY

It would be bad enough if inflation were only a supply-side phenomenon. The pressure that has crept into the "core" components of the price index, or the commodities and services outside of volatile food and energy, is, however, the most concerning development for central banks.

Inflation combined with a low unemployment rate and a strong labor market, particularly in the USA, has caused wages to increase, increasing the risk of falling into the "wage-inflation spiral." Global inflation was forecast to peak in 2022 at about 7.7%, more than twice as much as in the previous period. The International Monetary Fund (IMF) forecast that inflation in 2022 would increase, and consumer prices are expected to increase by 6.6% in developed economies and 9.5% in emerging and developing markets.

The world economy has suffered from an inflationary storm that formed in mid-2021, strengthened into a "storm" in 2022, "swept" and brought the world economy into the highest inflation period in Over the past 40 years, prices have been steadily climbing. In 2023, world inflation will gradually decrease but will still be much higher than the target inflation rate in most countries.

Because of the flood of early retirements during the epidemic, many countries presently have very constrained labor markets. As a result, companies are paying higher wages to attract workers, further fueling inflation.

There are concerns almost everywhere that rising prices may reset people's expectations of inflation, leading them to demand greater wages and making inflation much harder to eliminate. That reason was enough to get the central banks to act. The most active central bank has been the US Federal Reserve (FED), which increased interest rates from a floor of 0% in March to more than 4%, the largest tightening of the money supply in forty years. Central banks around the world are doing the same thing as the Fed.

INFLATION, UNCERTAINTY, AND RISK: NAVIGATING THE COMPLEX WORLD ECONOMY IN 2023

In 2023, it is forecast that the world economic and political situation will continue to evolve rapidly, complicatedly, and unpredictably with many uncertain risk factors; global inflation in 2023 is forecast to decrease but still be much higher than the inflation target of central banks; high inflation remains the biggest risk for many economies. Countries continue to raise interest rates and implement tight monetary and fiscal policies.

The world's financial and currency markets have potential risks and uncertainties. The unresolved conflict in Ukraine will affect gasoline prices, transportation costs, logistics, production and consumption supply chains; the risk of destabilizing energy and food security; and extreme weather events caused by climate change will put pressure on energy.

Prices of energy and food have many potential risks of complicated and unpredictable fluctuations, and although the prices of these two commodity groups have decreased, they are still at a high level. The oil price forecast for 2023 will be about 92 USD/barrel, 40% higher than in 2021. Many assessments believe that energy and food prices will continue to fluctuate sharply, especially in the face of the complicated and prolonged developments of the Russia-Ukraine crisis.

Beginning 2023, China gradually phased out the "Zero-Covid" policy and reopened its economy. When the economy improves, China will increase imports of crude oil, manufacturing materials, and industrial goods, pushing up world raw material prices and putting upward pressure on the prices of many consumer goods and other commodities. Other services, then global inflation will rebound. If China fully opens up by mid-2023, Bloomberg estimates, energy prices will increase by 20%, and US CPI, forecast to fall to 3.9% by mid-year, is at risk of skyrocketing to 5.7% by mid-2023.

In that context, in 2023, the top priority of governments will be to curb and control inflation, ready to trade off economic growth. Leading economies continue to implement tight monetary policies, raising interest rates to control inflation and prevent inflation expectations. Currently, about 90 countries have raised interest rates, with the highest number of interest rate hikes since 1970. The Fed affirmed that it will continue to raise interest rates to control inflation. The Fed is expected to raise the basic interest rate above 5% in 2023, despite the risk of a slowdown in economic growth. IMF Director Kristalina Georgieva advised central banks to continue raising interest rates further to curb inflation until interest rates return to "neutral".

In order to cope with the appreciation of the USD, besides raising interest rates, countries will continue to take strong measures to prevent the devaluation of the local currency, which means preventing the exchange rate between the local currency and the USD currency from rising.

THE UNEVEN EFFECTS OF INFLATION: WINNERS, LOSERS, AND SOCIETAL CONFLICTS

The winners and losers of this inflationary environment are not evenly distributed. In contrast to people who rely on fixed salaries or live pay check to pay check, those who have investments in tangible assets like real estate or gold can profit from the price increase. Food and fuel prices have increased, making it difficult for low-income households to afford basic necessities.

The job market is where the new societal conflicts brought on by inflation are most conspicuous. Companies are offering higher wages to attract workers, but this can lead to higher prices for goods and services, contributing to a vicious cycle of inflation.

Additionally, people who are unemployed or underemployed could harbor anger toward others who are able to profit from the current inflationary situation.

The conflict between dropping demand and recovering supply will determine inflation in 2023. Most likely, some of the variables that fueled inflation in the first half of 2022 have already started to subside. Prices for consumer items have decreased as supply networks have become more regular. Oil prices have returned to where they were a year ago, in part due to increased output. Demand is suppressed, which tightens monetary policy.

The sectors most sensitive to interest rates are being hit hard, and the real estate market is gloomy. Before a severe recession hits, the central bank may decide to ease monetary policy if the recovery in supply, which is essentially the availability of employees, is significant and quick. However, at this point, it seems more likely that worker sentiment will do real damage to the global economy. In 2023, worries about inflation could give way to worries about unemployment.

THE DANGER OF AN INFLATIONARY MAELSTROM

In 2022, inflation returned, causing concerns among individuals, governing bodies, and central banks all around the world. One of the main causes of high inflation in industrialized economies like the United States and the European Union (EU), as well as emerging and developing countries, is the inability of supply to keep up with the abrupt surge in demand following the pandemic. As a result, major commodities experienced abrupt price rises that soon seeped into people's daily lives all around the world. The stability of the world economy is in danger of an inflationary maelstrom. ///

KEY TAKEAWAYS

- Inflation is at a record level in major economies, with consumer prices on track to rise about 7% in the US in 2022, the highest level in four decades.
- One of the main causes of high inflation in mature economies as well as emerging and developing economies is the inability of supply to keep up with the abrupt surge in demand following the pandemic.
- The pressure that has seeped into the "core" components of the price index is the most worrisome trend for central banks, and it poses a threat to the stability of the global economy.
- It is anticipated that worldwide inflation will reach a peak in 2022 and reach 7.7%, more than twice as high as the previous period.
- When there is inflation, a low unemployment rate, and a healthy job market, there is a greater chance of falling victim to the "wage-inflation spiral".
- In 2023, the world economic and political situation will continue to evolve rapidly, complicatedly, unpredictably, with many uncertain risk factors; global inflation is forecast to decrease but still be much higher than the inflation target of central banks.

BEYOND THE HYPE – WHAT MANAGERS NEED TO ASK BEFORE ADOPTING AI TOOLS



“
All too often managers risk discovering a huge gap between expectations and reality.”



Hila Lifshitz-Assaf, Harvard Laboratory for Innovation Science and visiting professor at **Warwick Business School**,

explores the gap between expectations and reality when managers adopt AI and proposes an effective checklist for AI usage and implementation.

Related research: Lebovitz S., Lifshitz-Assaf H. and Levina N. (2022). To engage or not to engage with AI for critical judgments: How professionals deal with opacity when using AI for medical diagnosis. *Organization Science*. 33(1):126-14. Lebovitz S., Levina N., and Lifshitz-Assaf H. (2021). Is AI Ground Truth Really True? The Dangers of Training and Evaluating AI Tools Based on Experts' Know-What. *MIS Quarterly* 45(3b): 1501-1525. With kind acknowledgements to Warwick CORE Insights.

AI tools are big business. They reach into every aspect of life; allocating social housing, hiring top talent, diagnosing medical conditions, predicting traffic jams, forecasting stock prices, generating sales leads, and the list goes on.

The global AI market is expected to exceed \$1 trillion this decade. Whether it's the media, business or governments, everyone appears to be discussing AI and how it will transform the world. Managers are adopting AI because they believe it will allow their organisations to carry out tasks and make decisions quicker, more accurately, and at a lower cost than their staff could alone.

The pressure for adoption comes from all directions; vendors, boards, competitive markets, even the media. And there is constant reassurance that these AI tools will deliver on their promises, based on seemingly credible third-party performance claims using common assessment measures.



AI: WHEN THE DREAM MEETS REALITY

Yet, all too often managers risk discovering a huge gap between expectations and reality. Far from improving performance, AI tools may lower the accuracy and quality of decisions and even undermine the knowledge capital the organisation has built up over decades.

If it sounds shocking, it should be. Because as my award-winning research with co-authors Sarah Lebovitz and Natalia Levina shows, it's a risk that thousands of organisations are taking by failing to do the appropriate due diligence when adopting AI solutions; a risk that not only threatens to damage organisations and governments, but in some situations even cost lives.

We were able to study, at extremely close quarters, how five AI tools were evaluated for adoption in a renowned US hospital that employed leading experts in their fields.

The application for the AI was in diagnostic radiology. For more than 11 months, we observed managers testing and evaluating the AI tools at research conferences, workshops, symposia, vendor presentations and 31 detailed evaluation meetings, as well as 22 interviews and many informal conversations. We also had access to a wide range of associated data.

What we discovered was both surprising and highly concerning. It wasn't that the medical professionals involved didn't want to thoroughly evaluate the AI tools. Rather, they didn't initially know the critical questions to ask to make a reliable assessment.

As they probed further and looked beyond the surface-level metrics, they discovered fundamental flaws in the way the AI had been trained and validated.

At the heart of any AI software is its 'ground truth', the labelled data that represents (and is used to verify) the correct answer to the question the AI is trying to solve. At its simplest, for example, the ground truth dataset for a cat identification AI might consist of labelled images of various breeds of cats. A picture of a cat could then be checked against the ground truth dataset to see what type of cat it is.

However, most applications for AI tools in organisations are far more complex, whether it's deciding if a radiology image shows a malignant tumour, a candidate is a suitable hire, or a start-up is investable. Far from being clear and absolute, what constitutes the ground truth is often up for discussion. In these cases, users need to be certain that the ground truth is a sufficiently verifiable version of the truth so that they can rely on it for their decision-making.

Wherever possible, the ground truth dataset should be based on objective information. A radiological image for detecting malignant tumours should be checked against subsequent biopsy results, for example.

Often the nature of the many prediction problems means the labelling of the ground truth data is not necessarily objective. In such cases, the labelling should be performed and checked by people who are sufficiently expert, using their know-how and applying the relevant professional standards for that information.

WHY MANAGERS SHOULD NOT RELY ON AUC WHEN ADOPTING AI

In practice this means the tool developers interact with relevant expert practitioners, and tap into the experts' accumulated knowledge and experience to better understand the practices and processes involved, in order to codify as much of that know-how as possible.

Unfortunately, as with many other organisations making AI purchasing decisions, the managers in our study relied too heavily on a metric commonly used to assess AI performance – the AUC (Area Under the receiver operating characteristic Curve).

The problem is that the AUC says little about the tool's performance versus the performance of the people at the organisation who will be using the tool. Instead it measures how likely it is that the tool delivers a correct response based on whatever ground truth labels had been selected by the AI designers, i.e. performance on their own terms.

Once the medical professionals in our study looked beyond the AUC metric and began to put the AI tools under the spotlight, problems soon emerged. In a series of pilot studies, the medical professionals used their expert know-how to develop their own ground truth datasets and test the AI against it.

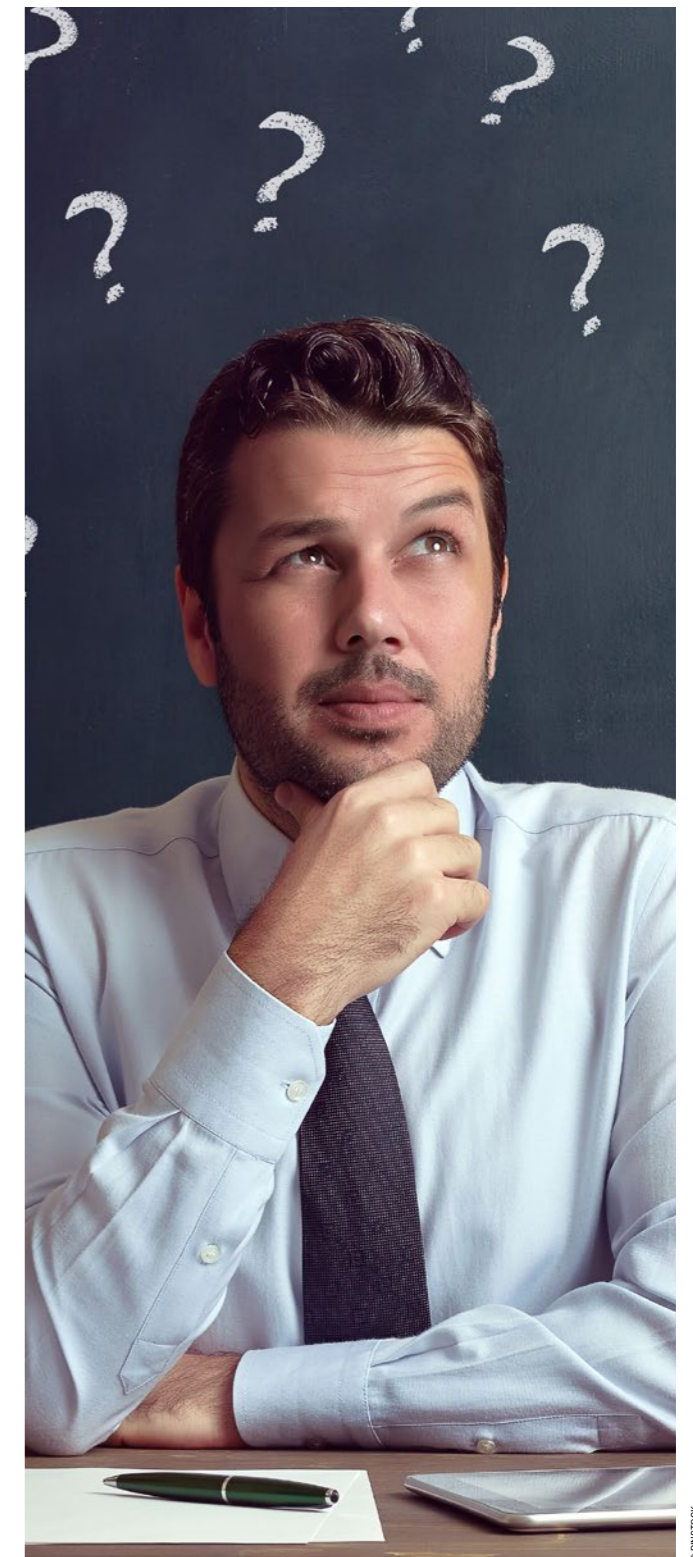
In many cases their results conflicted with the accuracy measures claimed for the tool. On closer examination it became clear that the ground truth used by the models had not been generated in a way that reflected how the experts arrived at their decisions in real life.

Most organisations adopting AI don't go through such a rigorous process of evaluation. But failure to examine an AI tool properly risks suffering damaging fall-out from its poor performance.

The behaviour of managers, often reluctant AI adopters, can also aggravate problems. They may back their own know-how against an AI tool, paying lip-service to using it while continuing work as usual.

The risk here is that, as happened in at least one organisation, senior managers give the credit for good results to the AI tool and make the staff redundant. The danger is that by the time an organisation realises the hit it has taken to its performance and expertise it becomes very costly or even impossible to rectify.

The best strategy is to evaluate AI tools thoroughly before they are acquired, implemented and embedded in the organisation. This means putting some key questions to whoever is pushing for the AI's adoption, whether that's the designer, vendor or the organisation's own data scientists.



THE QUESTIONS MANAGERS NEED TO ASK WHEN BUYING AI

Find out exactly how the AI tool has been trained. Can it be objectively validated? How was the data labelled? Who did the labelling and validated the labelling? How expert were they in their field? Was it done to the professional standards expected in that area? What was the evidence used? Where is the data source from? How applicable is it to the exact use case?

Don't be put off. Don't accept jargon-filled responses that obscure the truth. Only then, if satisfied with the answers, is it time to move to piloting the tool.

AI is going to be unimaginably transformative, in many cases for the better. Eventually the way AI tools are constructed will become more transparent, best practices established by stakeholders, and transaction of AI tools better regulated.

But until then, our study shows that 'caveat emptor' - when the buyer alone is responsible for checking the quality and suitability of goods before a purchase - has to be the watchword for organisations thinking of adopting AI tools.

At the moment, the burden for checking the merits of these AI tools falls on the purchasers. And thorough due diligence is needed if organisations want to avoid a bad case of buyer's remorse. ///

KEY TAKEAWAYS

- ❑ Managers are adopting AI because they believe it will allow their organisations to carry out tasks and make decisions quicker, more accurately, and at a lower cost than their staff could alone.
- ❑ The pressure for adoption is great. But managers often risk discovering a huge gap between expectations and reality. Far from improving performance, AI tools may lower the accuracy and quality of decisions and even undermine the knowledge capital the organisation has built up over decades.
- ❑ AI tool developers interact with expert practitioners, and tap into the experts' accumulated knowledge and experience to better understand the practices and processes involved, in order to codify as much of that know-how as possible.
- ❑ Unfortunately, the managers in our study relied too heavily on a metric commonly used to assess AI performance - the AUC (Area Under the receiver operating characteristic Curve).
- ❑ The problem is that the AUC says little about the tool's performance versus the performance of the people at the organisation who will be using the tool.
- ❑ Research shows that the ground truth used by the AI models are not generated in a way that reflects how the experts arrived at their decisions in real life.
- ❑ The risk is that senior managers give the credit for good results to the AI tool and make the staff redundant. The danger is that by the time an organisation realises the hit it has taken to its performance and expertise it becomes very costly or even impossible to rectify.
- ❑ The best strategy is to evaluate AI tools thoroughly before they are acquired, implemented and embedded in the organisation. This means putting some key questions to whoever is pushing for the AI's adoption, whether that's the designer, vendor or the organisation's own data scientists.

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**TOMATO SHORTAGE
– A SYMPTOM OF
INFLATION?**



Inflation is not something we should try to eliminate, but rather an economic variable that should be managed and controlled.



Grace Gollogley, BSc in Global Business student at **Trinity Business School**, plots the course of inflation in the wake of recent price hikes and contends that governments' monetary and fiscal policies must be properly evaluated and modelled before implementation – if not, inflation will hit us at a still higher price.

It's not immediately apparent that the recent shortages of tomatoes and other fresh produce in Europe are symptomatic of economic distress. A poor growing season, changes in weather patterns due to climate change or even the regulatory difficulties posed by Brexit in the case of the UK might seem more likely. These are indeed the main causes, though there is another factor to be considered. The prohibitive cost of electricity this winter of 2022-23 has meant that farmers have cut back on their use of greenhouses, ultimately causing major UK retailers to set limits of three punnets of tomatoes per consumer.

Natural gas, used to heat Irish greenhouses until early summer, is costing four times the long-term average. This is just one commodity which has dramatically increased in price over the last two years, and is indicative of the turbulent state of the global economy. In fact, inflation can be said to be an additional feature of the condition of 'permacrisis' which characterises the modern era. We live in interesting times, which pose interesting questions. Is this period of inflation caused by the extraordinary events of our time, or is it a question of mismanaged monetary policy? Who is most affected and why? And what should be done about it?

PRICE INSTABILITY IS AN ECONOMIC CONSTANT

The rate of increase in prices over a given period of time is not a new phenomenon, but one that is inevitable for any economy. When it comes to inflation, moderation is key. It's widely accepted that maintaining inflation at a low and predictable rate is optimal economic policy. A slow but steady increase in prices encourages consumers not to delay purchase-making, thus facilitating stable economic growth. Inflation that is too high and unpredictable causes a massive reduction in consumer purchasing power and necessitates painful austerity measures in order to be resolved. On the other extreme, deflation discourages current consumption and results in negative economic growth.

Hence, inflation is not something we should try to eliminate, but rather an economic variable that should be managed and controlled. Over the last decade, inflation has averaged 1.88% in the US and the EU has had a 20-year average of 2.31%. Against these, the annual inflation rates of the US of 8% in 2022 (preceded by a 40-year high of 7% in 2021) and of 10.4% in the EU in December 2022 are evidently out of the ordinary. The effects of these dramatic price increases are only too visible in everyday life. For the last two years, consumers worldwide have struggled to make ends meet, and the phrase 'cost of living crisis' has loomed ever larger in the headlines. To understand why and how inflation has become one of our most pressing issues today, we must go back to 2020.

IT ALL BEGAN WITH COVID

The effect of the Covid-19 pandemic was initially negative with regards to inflation, as economic activity ground to a halt due to health restrictions. This state of affairs did not last for long. In a speech made by Philip Lane, the Governor of the European Central Bank (ECB) at Trinity College Dublin in March 2023, he noted that inflation had risen very quickly from the middle of 2021.

The Central Bank of Ireland (CBI) attributed the surge in inflation in 2021 to three causes: a rise in global energy prices, price rebounds for some goods which had become cheaper during the pandemic, and a combination of renewed demand and supply chain bottlenecks which were a relic of health restrictions. Low interest rates spurred a demand for housing which added to inflationary pressures. Most people expected that post-pandemic inflation would prove to be temporary. Economists in 2021 predicted that the key drivers of inflation would recede in 2022. While the possibility of wages being set in anticipation of price increases was explored, it was the opinion of Gabriel Makhoul, governor of the CBI, that the presence of wage-bargaining institutions and an inflation-targeting ECB would prevent this from happening. He also cautioned that the higher price rates of 2021 should be viewed in the context of a period of inflation that was below the ECB's target of 2% annually.

However, the invasion by Russia of Ukraine was to overturn forecasts of a return to economic stability. The European economy in particular was greatly affected by the conflict, especially with regard to energy and food markets. The Eurozone was dependent on energy imports for more than half of its needs in 2020, with Russia being a key supplier. Russian and Ukrainian



imports of food such as wheat, oilseeds and fertiliser dropped off with the onset of the war, pushing up prices and adding to the lingering pandemic inflationary pressures. The energy-intensive nature of food production didn't help matters either.

The result in economic terms was an increase in food prices for EU consumers of 14.1% in January 2023 compared to the year before, and edible oils were nearly 50% more expensive than at the start of 2022. The economic effects did not only affect the EU-the rise in global commodities prices aggravated existing inflation in markets such as the US.

ALWAYS AND EVERYWHERE A MONETARY PHENOMENON?

All that's been discussed so far would seem to suggest that the high inflation we are experiencing at present is a result of pandemic and war. However, this flies in the face of monetarism, and Milton Friedman's oft-quoted phrase that 'Inflation is always and everywhere a monetary phenomenon'. In economics, the quantity equation states that if the velocity of money in circulation is constant, prices will rise if the money supply increases faster than the quantity of goods and services produced. Empirically, an increase in the money supply occurs in tandem with an increase in inflation. Monetarism holds that governments and central banks are responsible for inflation, as they control the money supply in the economy.

What reasons then do governments have to increase the money supply and cause inflation? Firstly, it's a means of financing public expenditure. Printing more money drives up wages and pushes people into higher income brackets, meaning that they'll be taxed at higher rates. It's for this reason that inflation is sometimes called taxation without representation. Another motive for increasing the money supply is to promote full employment. Spending money stimulates the economy which in turn stimulates employment but also inflation, as per the Phillips curve. A final reason posits that inflation occurs as a result of the mistaken policies of central banks seeking to avoid deflation.

Over the last 20 years, the money supply in the euro area has increased more quickly than the supply of goods and services, creating major inflation potential. The ECB's quantitative easing programme which saw the mass purchase of government bonds (rolled out to combat the sovereign debt crisis) only served to exacerbate this, increasing member states' spending power and compelling providers of public goods to drive up prices. The sudden restriction on supply caused by pandemic regulations meant that inflation finally became very apparent.

IT TAKES TWO

While the pandemic was the catalyst in this particular inflation equation, we can now see that monetary policy in the decades prior to the event was the primary element. The measures taken during the pandemic by governments to lessen immediate economic hardship also aggravated the situation. Unemployment payments and stimulus packages increased the money supply still further at a time when demand was drastically reduced. Consumers saved, and the release of pent-up demand when lockdowns ended resulted in price increases.

The rise in commodity prices attributed to the Ukrainian War can also be linked to monetary policy decisions. Energy prices were rising even before the war, as central banks pursued policies that stimulated economic demand and hence demand for raw materials. As commodities are primarily traded in dollars, if ECB monetary policy causes the depreciation of the euro, prices will rise in the Eurozone. Furthermore, those countries that export commodities hold large euro and dollar reserves and seek to protect themselves against EU and US inflation through price increases. Therefore, there are monetary and economic variables aside from the current conflict that contribute to inflation.

WHO WINS AND WHO LOSES?

As already discussed, inflation benefits governments as it reduces the real value of public expenditure and debt. People who hold physical assets will see an increase in the value of their investment. Savers, workers and retirees on fixed incomes, borrowers on variable rates and the wider economy suffer from inflation. Additionally, when certain price changes affect more people than others, particular cohorts in society will be more impacted. With regards to current inflation of energy prices, lower-income households, the elderly and rural households lose out as they spend a greater proportion of their income on this commodity than other groups. In Ireland in 2022, it was estimated that inflation rates are 0.8-1.5% higher at the bottom of the income distribution than at the top. Anti-inflation measures therefore must be targeted at those most in need of help.

FINDING A CURE

The Economic and Social Research Institute's (ESRI) Spring 2023 bulletin forecasts that inflation will slow alongside falling energy costs, however price levels will remain high and there is a risk that core inflationary pressures will be replaced by wage-based price increases. In February 2023, the Irish government introduced a package of cost-of-living measures designed to

help those most affected by inflation. These included business supports, extensions to cuts on VAT and customs duties, supports for families with children of school-going age and payments to social welfare recipients. While the ESRI found that lower-income households would benefit more from the package than more affluent households, its cost is relatively evenly spread across the income distribution so both cohorts gain the same in cash terms. The institution cautioned therefore that further packages and budgets should be designed so as to avoid stimulating demand-side inflation.

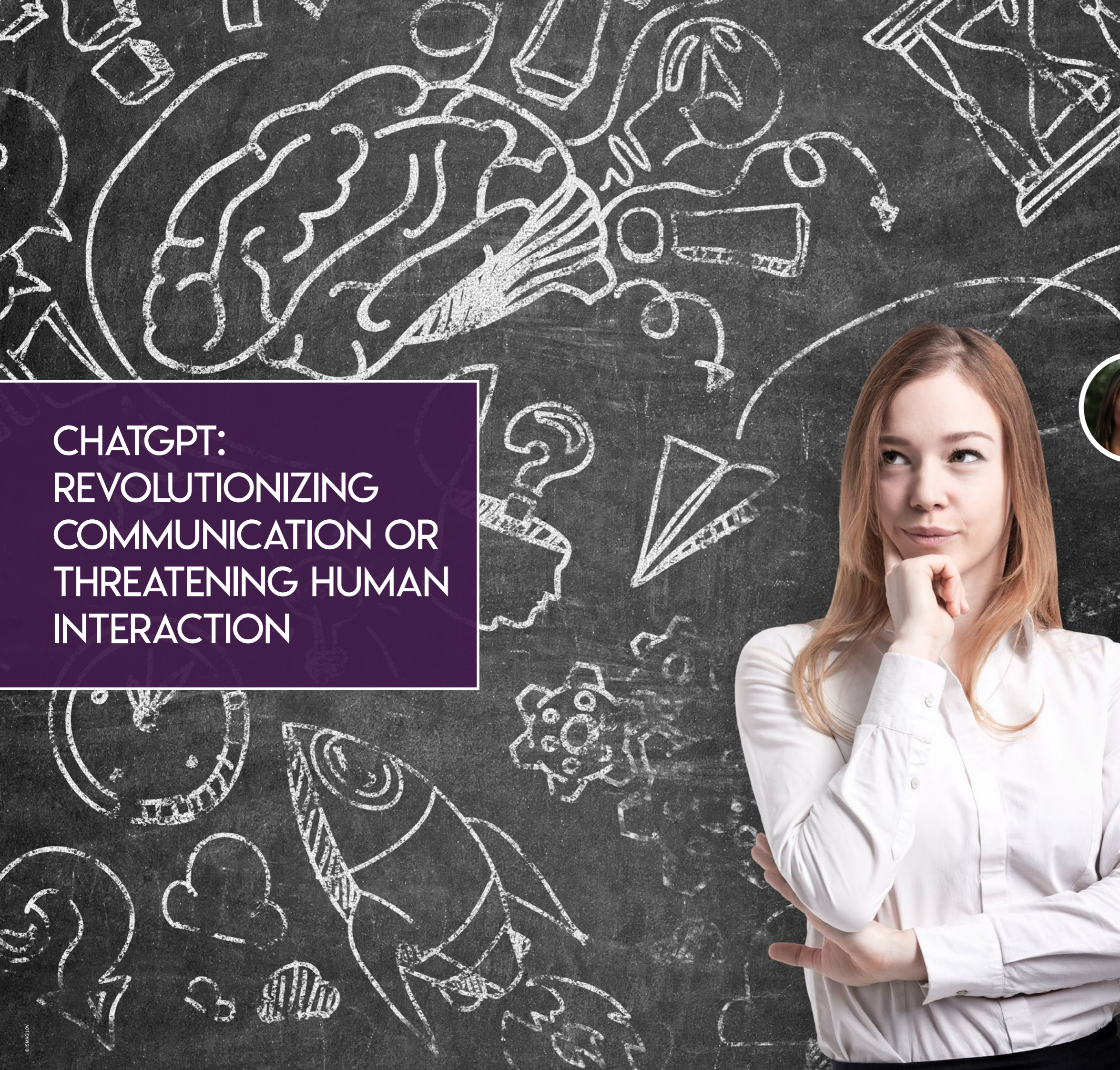
At the EU level, the ECB decided in December 2022 to raise key interest rates by 0.5%, as a precursor to further increases. Interest rate hikes reduce demand and prevent an upward shift in inflation expectations. From March 2023, the ECB will also roll back its asset purchase programme, causing a decline in the money supply. Across the Atlantic, President Biden's Inflation Reduction Act was signed into law in August 2022. Despite the name, analyses of the legislation suggest that it will have little to no impact on inflation in the near future. While the bill will reduce the price of energy, prescription drugs, and health insurance premiums, and reduce the US' budget deficit, the effect of the changes on the economy over the next decade is forecast to be negligible. Some economists even warn that the new health care subsidies may even be inflationary.

When it comes to tackling inflation, governments and central banks must tread a fine line. If the ECB raises interest rates too much, it risks arresting economic growth. If the fiscal policies employed by the US and Irish governments aren't carefully targeted, there's a chance that they might add to inflation rather than alleviate it. Monetary and fiscal policies therefore must be properly evaluated and modelled before implementation.

According to Milton Friedman, the cure for inflation is straightforward-governments must stop printing money. To do so is to risk a temporary slowdown in economic growth, and the possibility that the measures employed may do more harm than good. However, as long as economic growth is stable, unemployment is low and interest rate hikes are kept below the rate of inflation, policymakers should persist in efforts to bring inflation to an acceptable level. ///

KEY TAKEAWAYS

- ▣ Inflation is good in moderation - when it is too high or too low the economy suffers.
- ▣ The surge in inflation over recent years has been widely attributed to pandemic and war, however monetary policy is also a contributing factor.
- ▣ Inflation affects different people in different ways.
- ▣ Policymakers must strike a balance between over- and under-stimulating the economy when attempting to tame inflation.



CHATGPT: REVOLUTIONIZING COMMUNICATION OR THREATENING HUMAN INTERACTION

“
Society must view ChatGPT as a tool rather than a replacement for creativity and critical thinking.”



ChatGPT might conflict with the human values of fostering creativity and learning from experience, but the only way to harness it is for academia to be transparent with this breakthrough in technology and re-evaluate its curricula contends **Ana Sofia Bello, ESSEC Business School** GBBA student CSR competition finalist.

“We’ve never seen a technology move as fast as AI has to impact society and technology. This is by far the fastest-moving technology that we’ve ever tracked in terms of its impact and we’re just getting started” Thus Paul Daughtery, Accenture’s Chief Managing Director of Technology Strategy and Innovation, eloquently describes the breakthrough in technology that Artificial Intelligence has become.

Throughout the 21st century, the development of technology has evolved dramatically from the first iPhone created in 2007 to the development of iCloud launched in 2011 and now the public use of AI by ChatGPT in 2022. This extensive improvement in technology in less than 25 years is exciting and impressive but is also worrisome. This generation must not let the short-term benefits of ChatGPT and its future for AI blind us from the ethical issues that will arise, affecting the values that this generation and societies from around the world must uphold.

REVOLUTIONIZING TECHNOLOGY

As mentioned earlier, the public use of ChatGPT is a tremendous advancement in the use of Artificial Intelligence. This application and other machine-learning-based language models are autonomously learning from online information "in order to produce *seemingly* intelligent original content" (Hoyos, 2023). Many industries now have the opportunity to benefit from the application's abilities to create more efficient methods and increase business productivity. The industries of finance, marketing, and policies can use the ability of "text classification" to easily "monitor, scrutinize, and understand public opinions and trends" (Hoyos, 2023). For example, Morgan Stanley, Stripe Inc, and Duolingo are already using ChatGPT 4 for organizing wealth management data, testing its ability to combat fraud, and explaining language mistakes to users in order to practice real-world conversation (Millson, 2023). Additionally, It has the potential to support the medical industry.

Seeing AI, an application launched in 2017 that won the prestigious Helen Keller Achievement Award, "uses the rear camera to identify and narrate the world around you" with the help of machine-learning models (Dürr, 2021). These breakthroughs in medical assistance can be dramatically improved with an increase in investment in AI. The final positive aspect of this AI tool is that it is an extremely advanced form of Google. Many professors like Jacob Greene from Arizona State University, are not surprised at all by this innovation. You can do the same things on ChatGPT as you can on Google. The difference is that it is able to organize and filter through the data online at an incredible speed and generate an original response based on existing data (Tropiano, 2023). This revolutionary technology is just the beginning of the public use of artificial intelligence. With the public release of ChatGPT 4, it will not be long until these systems will be implemented in all forms of software.

HIDDEN COSTS OF EFFICIENCY

It is wise to review the negative impacts of developments such as this since many naïve individuals will only be attracted to the "bells and whistles" that ChatGPT offers when the realistic effects of this program on our societies today must also be taken into consideration. The main reason why ChatGPT impacts this generation so much is the apparent presence it has in students' lives. With the use of this tool, it is much easier to graduate from high school or college and possibly get a job. ChatGPT can solve mathematical problems, complete multiple-choice tests, write cover letters and academic papers. In the past decade, there have been many scandals that have arisen regarding fraudulent university applications, whether due to students having connections or paying additional fees as a form of bribery, or for people to write their application essays. If these unfair decisions were considered a big scandal, why is ChatGPT not being treated the same? All students have to do is copy and paste any prompt, and specify the conditions it must follow and ChatGPT can generate a report in less than 5 minutes. Education is not going to hold the same worth as it did for earlier generations.

It will be incredibly easy to obtain a degree or certification in school with the help of similar AI tools. The decrease in the value of education is a very dangerous consequence of AI since it is a vital element of growing values, fostering creativity, and learning from experiences to develop one's character and interpersonal skills.

According to Kyung Hee Kim, an accredited professor of educational psychology, a decrease in creativity is already in effect with the most recent generations. Kim conducted a study in 2012 and showed that there has been a "decrease in creativity since 1990... the skill of elaboration since 1985 and fluency, originality, and creative strength since 1990" (William & Mary, 2012). Consequently, the development of their neurological system will not be as healthy.



Throughout their education, students are constantly developing different parts of their brains with their everyday interactions, challenging assignments, and making decisions. With the use of this tool, this extensive use of brain activity will decrease more and more throughout the years. This will be the next challenge of ChatGPT. How can these AI tools be used to increase brain activity and creativity and create a more intellectually advanced generation?

HOW DO WE MOVE ON?

With the comparison of the positive and negative consequences, universities must decide how they will handle the use of ChatGPT in their schools. Microsoft has already invested \$10 billion into the company that created ChatGPT, "so it is likely that this software... will be integrated into Microsoft Word or Google Docs in the coming years" (Tropiano, 2023). Universities must learn how to monitor the use in schools so that this application is used for its true purpose. Jacob Greene explains the uses of ChatGPT in his university courses and even goes to the point of instructing his students to use ChatGPT for assignments. His objective is to make his students aware of this technology and utilize it for its purpose. Professors and school administrators should follow in Jacob Greene's footsteps because creating a restricting perspective on this service will only push students to use this app in the wrong ways. For the cases regarding fraudulent admissions essays, ChatGPT does allow users to input text back into its software to check if it has written the text before.

Unfortunately, this may not be effective since applicants can copy the text generated by ChatGPT and input it in a paraphrasing software so their plagiarism is seemingly undetectable. Universities can also be transparent and admit that this issue is occurring and will not be tolerated, so to combat it, universities can increase the personalization and intensity of their curriculum and admission process. ChatGPT, like other machine learning programs, will be more

specific and accurate when there are many details and criteria provided by the users. If assignments' instructions and prompts are more personalized, then it is much harder for ChatGPT to provide qualitative responses. ChatGPT represents a significant technological advancement that has the potential to revolutionize the way our society interacts with information. However, to move forward, society must view ChatGPT as a tool rather than a replacement for creativity and critical thinking. Now, Universities will have an opportunity to work with ChatGPT to create a more equitable, informed, and connected world. ///

KEY TAKEAWAYS

- ❑ ChatGPT has utilized artificial intelligence to revolutionize the methods of collecting and processing data at incredible speed.
- ❑ Medical and financial industries are benefiting from the precision and accuracy of the autonomous methods of the software.
- ❑ Consequently, there will be a decrease in levels of creativity, critical thinking, and problem-solving skills in the next generations.
- ❑ Education will lose its value due to how easy it will be to be accepted into colleges and graduate from seemingly difficult curriculums.
- ❑ Universities must be transparent with this breakthrough in technology and re-evaluate their curriculum to adapt to the exploitation of this application.

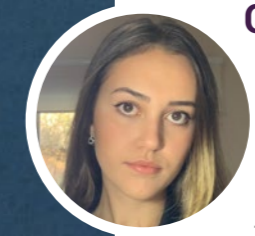




WHAT WOULD GALILEO GALILEI SAY ABOUT STUDENTS USING CHATGPT?



Galileo Galilei would tell the students of 2023 to think of better ways to use ChatGPT.



Carolina Tonon Cardoso, student Finalist at **FGV-EAESP** in the 2023 CoBS Student CSR Article Competition, explores the usefulness of ChatGPT for both students and academics.

Galileu Galilei, the Sir of white beard who discovered the movement of the Earth with just a telescope and a great amount of mathematical calculations, might be disappointed at the humanity of the 21st century. If he knew that students in 2023, who have access to giant libraries with tons of different researches, as well as profound theoretical studies about everything, are resorting to a machine to think for them, we can bet that he would be rather confused.

BUT HOW DID THIS HAPPEN?

Artificial Intelligence, contrary to what many may think, is not a creation of the last decade, but an idea that has been discussed in society since the 1940's, and it can be defined as *a set of techniques for building intelligent machines capable of solving problems that require human intelligence* (Nilsson, 2009). The key to understanding AI is to keep in mind that every technology or mechanism that humans create with the purpose of developing intelligent logic, or rather logic to copy human behavior (emotions, speaking, singing, etc) or to produce something without human commands, is Artificial Intelligence.

In this matter, the first machine to use this artifice was the Turing Test, the first computer, created by Alan Turing. The best form to explain how the computer worked is to use what happened in the Second World War as an example. This machine tapped into the enemy's radio transmission system, captured the morse code sent to communicate what place they attack, decoded it and answered it with another code.



All of this had to be done without appearing that it was a machine doing it. The purpose and “slogan” of the test was: If a human being communicates with a machine for five minutes without realizing it is not a human, then the computer passes the test.

THE CHATBOTS

In 1964, the first Chatbot, a similar system as the one used by ChatGPT, was created. It was named Eliza and it worked as a conversation robot, with the function of imitating a psychologist, offering empathic conversations and advice about people's emotional and personal problems. Eliza was created at the Massachusetts Institute of Technology (MIT) by Joseph Weizenbaum in 1964.

Since the arrival of the internet and subsequent developments in technology, ChatBots have become more complete and sophisticated. In this regard, more “Elizas” were created. In 2011, Apple created Siri, the first AI assistant of a smartphone company. This type of robot, integrated in smartphones, became popular very fast, and other companies started to develop their own AI assistant, with even banks developing their Chatbots. This service impressed many people and it has numerous utilities, such as searching something on the Internet, singing a beatbox or even answering questions as if it were in a conversation. However, it is possible to notice the limitations of Siri, since it only responds to what has a connection with its job, and when it doesn't know the answer, usually with personal questions, Siri says that it only responds to what the client wants to hear.

In November of 2022, ChatGPT became available for popular use. It is the most complete AI tool, with the ability to answer questions about everything, working like Google, producing poems and songs. Moreover, it also produces legal contracts, academic tests, evaluations and mathematical knowledge. All you need to use this tool is to sign in to their website and you'll be directed to a page structured like Microsoft Word document mixed

with a design of social media chats. It is very simple, familiar and intuitive to use. Although the chatbot is programmed to store a huge amount of data, its learning about this knowledge is simple and shallow.

ChatGPT is now going through public tests with universities and companies. Universities are studying how students can use this chatbot in the academic context, analyzing the pros and cons, because the tool is capable of doing tests, assignments and calculations for the students.

Besides the dilemma of the job market, both society and academia have been discussing the replacement of people by machines. This article appeals to the remarkable ethical dilemma set by the advantages given by these AI services. Just as cheating on tests and school work is neither ethical nor moral – since people would be receiving credit for something they did not do – the same goes for using artificial intelligence to do college work. The worst of all is that university students or adults interested in research could easily commit this unethical act. So, society not only has the preoccupation of teaching children ethics, but also adults. The dilemma that remains for humanity is: whether to surrender the facility of AI and weaken the ethics of which humans are so proud of, or to fight against this temptation and develop even more moral notions, while co-existing with robots.

WHAT UNIVERSITY TESTS ARE SAYING ABOUT THE POTENTIAL NEGATIVE AND POSITIVE ACADEMIC IMPACTS OF CHATGPT

FGV EAESP, a business school in Brazil, is testing ChatGPT's ability to do the school's tests as a human would do, and its results, so far, are positive. ChatGPT can answer questions in a satisfactory way, although a little simplistically. So, if a student uses the tool to make a text or assignment for them, they would succeed. The person may not ace the test, because of the simple answer, but the

student would definitely achieve the school average. Despite that, according to the school's professors Chat GPT failed the finance test completely by creating mathematical calculus that were incorrect. Another failure of ChatGPT is to invent bibliographical references instead of giving the correct ones.

The most obvious negative impact can be expressed by fraud in exams and assignments. However, the impact of cognitive harm, which is not expressed directly and immediately, is great. This question affects the development of soft skills which are nowadays booming in the job market and in the academic ecosystem. As already mentioned, the loss of creativity is very predictable and unsettling. This impacts not only academic development but in market insertion. Currently, companies are demanding a set of these soft skills in their hiring process, which are not going to be built up without cultivating creativity and other abilities, such as resilience, problem solving, and flexibility. In view of that, although ChatGPT brings more efficiency to tasks and projects, by replacing human work people's capacity for resilience and hard work will develop less and less. So, the pattern of gaining fast results, lacking patience and communication failure that we observe in the 21st century will likely perpetuate.

Lastly, the tool spoils students' learning experience, not only because the brain is less exercised, but because it also receives fewer demands. Thus, humans will increasingly use robots to think for them. With that, humanity runs the risk of losing its most precious theory: anthropocentrism. By resorting to artificial intelligence to think, elaborate and produce human artifacts, we run the risk of letting ourselves be governed by the logic of machines and thus lose the place humans have in the center of society dynamics.

Besides that, academia thinks that a positive impact of ChatGPT is to make group assignments easier, by producing sketches of essays and projects for the group, so they can focus more on deep discussions, speech skills and group dynamics. Because, as we know, a lot of “mechanical” tasks, such as elaborating a presentation agenda, organizing individual tasks or elaborating simple bullet points steal discussion time. The positive points presented here can be summarized as soft skills, which were already pointed out to be less exercised with the insertion of ChatGPT in academic life. So, it is going to take a huge effort from universities to make the positive impacts weigh more than the negative ones.



HOW SHOULD UNIVERSITIES MANAGE THIS ISSUE?

It is thought that the best way to stop people from doing something is to tell them not to do it. New psychology studies point out that the approach of prohibiting and mischaracterizing something, without practical justifications, is not effective.

Thus, something that FGV EAESP has done – and which has shown positive results – is to present the tool to students during class. In this way, teachers teach students how to use the tool to facilitate group work, as previously mentioned, to try to enhance the development of soft skills instead of delaying their progress. Therefore, teachers prioritize group discussions and the exercise of communication.

In addition, students are also asked to carry out an activity in the classroom to realize the simplistic value and potential shortcomings of ChatGPT. As such, students may realize that it is not worth exchanging this tool for the human mind.

In view of this, Galileo Galilei would tell the students of 2023 to think of better ways to use ChatGPT, to enhance the abilities of the human mind, and who knows, discover which galaxy revolves around the other. ///

KEY TAKEAWAYS

- ❑ Artificial Intelligence, contrary to what many may think, is not a creation of the last decade, but an idea that has been discussed in society since the 1940's, and it can be defined as a set of techniques for building intelligent machines capable of solving problems that require human intelligence.
- ❑ Since the arrival of the internet and subsequent developments in technology, ChatBots have become more complete and sophisticated, and in November of 2022, ChatGPT became available for popular use.
- ❑ The most obvious negative impact of ChatGPT can be expressed by fraud in exams and assignments. However, the impact of cognitive harm, which is not expressed directly and immediately, is great. This question affects the development of soft skills, so important for the job market.
- ❑ The tool spoils students' learning experience, not only because the brain is less exercised, but because it also receives fewer demands. Thus, humans will increasingly use robots to think for them.
- ❑ It is counter-productive to prohibit ChatGPT. Professors at FGV-EAESP present the tool to students during class. In this way, academics teach students how to use the tool to facilitate group work, and to try to enhance the development of soft skills instead of delaying their progress. As such, professors prioritize group discussions and the exercise of communication.



CHATGPT: A PARADIGM SHIFT FOR UNIVERSITIES?



Preventing the use of ChatGPT at home would be like preventing the use of the internet – an illusory approach.



The launch of ChatGPT in November 2022 produced both massive subscriptions to the tool and a massive outcry from academia. **Aymeric Thiollet, ESSEC Business School**, Runner-up in the CoBS 2023 Student CSR Article Competition, explores a win-win scenario for AI, its student users, and instructors.

Wonderment. This is perhaps the first reaction one might have when using ChatGPT for the first time. For this artificial intelligence (AI) conversational chatbot, developed by the American company OpenAI and publicly launched in November 2022, the response was spectacular to say the least. In just 5 days, ChatGPT surpassed one million users worldwide, the world record for an online service launch (Statista, 2023). This massive adoption was then met with an equally massive outcry. How do we think about and evaluate its impact on society? How will our daily lives be affected?

At our scale, within the student community, the question of the academic impact of ChatGPT is now essential. Therefore, in this article we will explore different questions: How is ChatGPT impacting higher education today? Should this tool be part of our universities? What approach could be adopted to frame its use? But first, let's go back in time and understand the origins and the nature of ChatGPT...



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AN “OLD” TECHNOLOGY IN A TOOL NOW MADE CONVERSATION-FRIENDLY

The term “old” is here obviously relative, but it points to an interesting reality: the technology used in the first version of ChatGPT, GPT-3 (a family of *large language models*), has been around since 2020. Then why did we start talking about it just now? Seemingly because the developers of OpenAI, through ChatGPT, have achieved a particular feat: making this AI-powered tool accessible, credible, and useful to the general public. By definition, ChatGPT is an online conversational agent capable of generating answers to questions, completing sentences, translating texts, writing articles, and even holding conversations with humans. It can also synthesize texts according to a given set of constraints, such as tone, style, and topic.

Based on *natural language processing*, ChatGPT can understand human prompts and remember passed interactions. What makes ChatGPT particularly interesting (and different from its predecessor, InstructGPT) is the conversational data used in its training process. Indeed, the chatbot required fine-tuning in order to meet the demands of human conversation. Here, its secret lies in RLHF (*reinforcement learning from human feedback*) i.e., the back and forth between the chatbot and developers to rank the chatbot’s answers and make them as human-friendly as possible (MIT Technology Review, 2023).

Today, ChatGPT is available to the public in 2 versions: a free one (powered by GPT-3.5) and a \$20 per month one (ChatGPT

Plus, powered by GPT-4). GPT-4 is essentially an upgraded version of GPT-3.5 with better creativity, safety, factuality, and the added ability to accept images as inputs. The most impressive advantages of GPT-4 compared to the previous versions is its ability to understand a lot more languages and solve more complex problems. As of now, GPT-4 can pass the Bar or the Advanced Placement Biology exams (both challenging college-level exams) with remarkable success. All in all, with its grammatical, synthetic, conversational capabilities, but also its ability to code or generate creative content tailored to the user’s instructions, ChatGPT can undoubtedly be very useful in the academic context. Does this outstanding set of skills signal the perfect academic tool?

A SKILLED BUT FALLIBLE CHATBOT

Before erecting ChatGPT as an all-powerful tool, capable of replacing both the student and the teacher, it appears necessary to question its capacities. As an AI language model trained on web data, ChatGPT’s first obvious weakness is its **cut-off date**: after September 2021, the chatbot has no data about any events which occurred. The chatbot doesn’t have the ability to search for references in real-time, which makes it irrelevant for several academic initiatives.

If we want to go deeper and discover the hidden flaws of ChatGPT, we need to understand exactly *what kind of information* has been subjected to the chatbot’s algorithmic training. As OpenAI remains vague about this, let us look at an original source: the academic paper which introduced the GPT-3 language model, *Language Models are Few-Shot*

Learners (Brown et al., 2020). It suggests that the training data used for ChatGPT comes from most or all of Wikipedia, Reddit pages as well as billions of words supposedly excerpted from open-access books (as others are protected by copyright law). From this, we can see that ChatGPT is mainly based on English texts which are not necessarily factual. This makes the possibility of **algorithmic bias** very significant, even when accounting for the chatbot’s training and moderation by OpenAI.

We can safely assume the presence of social, cultural, and political biases in the vast corpus of texts behind ChatGPT which in turn can present monocultural and questionable point of views on sensitive topics to its users. Another important issue, especially in the academic context, is plagiarism. Where do the sources of what ChatGPT says come from? As the chatbot works on a probabilistic model with billions of parameters, is it even possible to determine them? OpenAI recognizes this inherent difficulty: “ChatGPT sometimes writes plausible-sounding but incorrect or nonsensical answers”.

This appearance of truth without concrete evidence of veracity can make the use of ChatGPT dangerously hazardous, especially when it strays into **hallucinations** i.e., the confident responses of an AI that don’t seem justified by its training data (Ziwei et al., 2022). In short, as things stand, the reliability of ChatGPT appears questionable and its educational use should be assessed with caution. Before attempting to do so, one question remains: what is the current impact of ChatGPT on students, teachers, and universities?



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BETWEEN ADHERENCE AND PROHIBITION, THE POLARIZED USE OF A TOOL AT ITS GENESIS

The arrival of ChatGPT marked the “end of high-school English” said California high-school teacher and author Daniel Herman in *The Atlantic* (2022). Seeing the recent performance of GPT-4, could it be the more dizzying end of higher education as a whole? In January, a prestigious French political studies institute, Sciences Po Paris, issued a statement strictly prohibiting students from using ChatGPT to produce written or oral work, under penalty of expulsion from the institution and even from higher education (Sciences Po, 2023). Similar phenomena have also been seen elsewhere: in the University of Hong-Kong (Yau and Chan, 2023) or in New York City schools (GovTech, 2023).

Plagiarism, academic integrity, student learning... today many universities are still assessing the negative impacts of ChatGPT and its appropriate use in academic settings. On one hand students can now effortlessly accomplish many tasks currently used by teachers to evaluate them. On the other hand, teachers are mostly left without a clear framework as to how to handle this pressing situation. What can be done? Should we simply ban the use of ChatGPT altogether, everywhere? Italy has recently done so at a national level, temporarily banning ChatGPT for data privacy purposes (Financial Times, 2023). For his part, Jean-Noël Barrot, the French Minister for Digital Affairs, recently described this approach as a bad solution in France (Le Figaro, 2023).

As things stand, it would appear that Pandora’s box has been opened and it is likely that ChatGPT will remain just a click away from any student. Preventing its use at home would be like preventing the use of the internet, an illusory approach. In the face of the unprecedented pedagogical challenge facing teachers, some might suggest the use of AI-generated text detectors as a solution, but even the one offered by OpenAI is only 26% effective (OpenAI, 2023) and students can use online paraphrasers to disguise their productions. Seeing that 57% of the new generation would like to learn with AI in the next few years (GoStudent, 2023), it seems clear that ChatGPT is here to stay. Given its increasing adoption among students and the difficulties of AI-generated texts detection, how can we think of an appropriate response from higher education institutes and teachers? Is it possible to envisage a compromise in the use of ChatGPT?

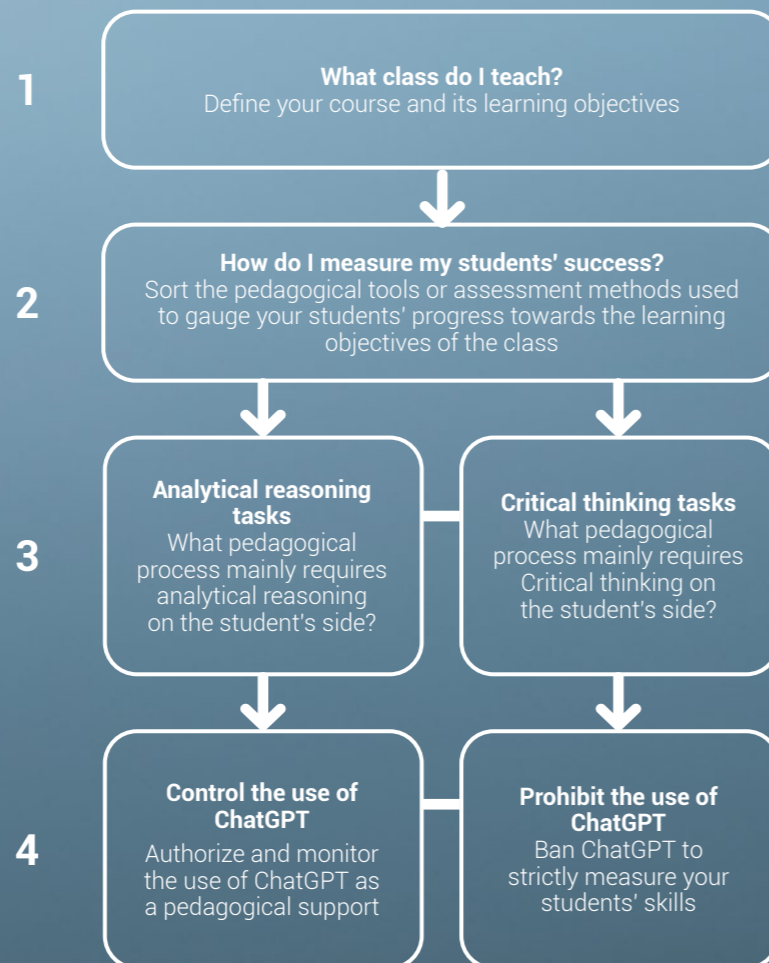
TOWARDS A MIDDLE GROUND: THE TEACHER'S CHATGPT USE FRAMEWORK

I believe that teachers will be best positioned to develop a reflection that promotes their students' learning, I would therefore like to use their situation as a starting point for thinking about academic adaptation to ChatGPT. To make this article truly useful would be to offer them proven methods for effectively managing ChatGPT in their classrooms.

In my small way, I can only try to offer professors a framework for thinking about the use of ChatGPT in their classes, based on significant assumptions (cf. diagram). The main one is that higher education is about instilling **analytical reasoning** (breaking down a problem into smaller parts to find solutions) and **critical thinking** skills (making logical and reasoned judgements that are well thought out) in students for their future lives as citizens and employees. By extension, my second assumption is that all subjects taught in higher education can be deconstructed into tasks or modes of assessment that mobilize these two skills. It is through these two lenses that I propose that professors reflect on their courses and allow or disallow their students the controlled use of ChatGPT.

THE TEACHER'S CHATGPT USE FRAMEWORK

How to help students make the most out of your class, appropriately using ChatGPT



To better understand this framework, let us consider two fairly different course examples: computer science and philosophy. It seems reasonable to say that these two courses mobilize our two key competences in contrasting ways: on a student's point of view, the computer science course will mobilize a majority share of analytical reasoning skills for a smaller share of critical thinking ones, while the opposite may be observed in philosophy. My observation is that ChatGPT, in its ability to structure content and provide solutions, can be very useful for the development of a student's analytical reasoning. However, it can only be an assistant and cannot substitute for the student's critical thinking abilities.

For this reason, in our example, I would encourage its controlled use for analytical tasks (e.g., debugging exercise within a coding challenge in a computer science class) but I would not recommend it for critical thinking tasks (e.g., writing of philosophical essays). This distinction of tasks is to be made by the teacher himself as certainly every class involves our two skills in some way: for example, some philosophy teachers could feel that the writing of a plan as a basis for an essay could benefit from ChatGPT's help while some computer science teachers might feel the need for their students to step away from their screens and reflect on the best algorithm to pick for a given problem. Of course, this may mean that now, some assignments should only be done in class, and not at home, to control for ChatGPT's use.

In the end, the aim of this framework is to encourage a profound reconsideration of what it means to teach a class today and how student learning could benefit or not from the aid of ChatGPT. A rule of thumb could be to remember that ChatGPT should be at most an assistant and never a substitute for the student's critical thinking nor the teacher's education.

NEXT STEPS

Through this article we have explored the nature of ChatGPT, its impact on the university system and an approach to moderating it in the classroom. ChatGPT is a very powerful tool which could greatly assist the academic world with its ability to provide and structure information efficiently, however it has inherent biases and can encourage academic dishonesty and hinder student learning.

With this in mind, it is important for universities to train their lecturers to have a clear understanding of how ChatGPT could be used (or not) in their courses. The technology that GPT-4 represents is still in its infancy and it is safe to assume that future versions of ChatGPT will be ever faster, more creative, more factual, more convincing, and indistinguishable from human speech. Judicious use of ChatGPT could lead to real pedagogical progress where students learn in a way that is more tailored to their learning style.

However, ChatGPT will remain a tool, it won't replace the human touch of a teacher, and the nature of its impact will always depend on its creators and users. So let us now see the arrival of ChatGPT as an opportunity to open up a wider dialogue about academic ethics and learning with students as they enter university. ///

KEY TAKEAWAYS

- ChatGPT, an AI chatbot developed by OpenAI, is an online conversational agent capable of generating answers to questions, completing sentences, translating texts, writing articles, and even holding conversations with humans. It can also synthesize texts according to a given set of constraints, such as tone, style, and topic.
- ChatGPT's strengths are its ability to understand human language, remember past conversations, create, structure, synthesize, code, and evaluate content, quickly and efficiently. It can successfully pass college-level exams.
- ChatGPT's weaknesses are its cut-off date in 2021, its algorithm based on a lot of data of unclear origin but marked by an obvious monoculturalism, and its potentially plagiarized answers coming from complex probabilistic models whose sources are unverifiable.
- My suggested approach to controlling the use of ChatGPT in the academic context would be to tailor its use according to the skills mobilized by the students in class: on the one hand allowing controlled use of ChatGPT for tasks involving the use of analytical reasoning and on the other hand proscribing it for those involving the use of critical thinking skills.
- If useful, ChatGPT should be used as a complement to traditional teaching methods, and not as a replacement for human interaction. Used wisely, it could help make interesting pedagogical progress.



THE MOTHER-DAUGHTER RELATIONSHIP IN JAPAN THROUGH THEIR FASHION CONSUMPTION

“

Japanese mothers imprint their unsuccessful dreams onto their daughters, projecting their expectations and hopes.



How can we understand the relationship between a mother and her daughter through their fashion consumption? Do mothers look at daughters as an extension of themselves? Professors **Junko Kimura, Hosei University**, and **Mototaka Sakashita, Keio Business School**, explore this unique relationship.

Related work: Mother possessing daughter – dual roles of extended self, The Routledge companion to identity and consumption.

Consumerism has been the cornerstone of our development in the past century – both leading to positive social and economic benefits, but also to negative environmental degradation and divides. People consume not only for the functional aspect of the products, sometimes buying or consuming products to express their core self. And in such cases, the products become a part of the consumer's extended self.

Such possessions can be inanimate objects such as personal websites, things in the workplace, cherished objects – or they can also be other living beings such as pets and other people. Perhaps the most common extension of self is observed between a parent and their child, since the child grows under the shadow of the parent in their formative years.



DAUGHTERS AS BARBIE DOLLS?

The scientific community has frequently stressed the importance of good parenting on the outcome of a child's attitudes in life. And for daughters, it is especially their mothers' attitudes that have a far-more reaching impact than their fathers'. Indeed, mothers are significant socializers to their daughters and in many cases, they even force their children to identify with them.

Profs Kimura and Sakashita's research highlights two major yet contradicting observations about the mother-daughter relationship dynamics in Japanese culture. While on the one hand, the mother treats her daughter as a mere object of possession predominantly to entertain her, on the other hand, she wants her daughter to accomplish all the goals and dreams that she was not able to do herself.

The treatment of daughters as mere objects of possession is exemplified by the dynamics between the mother-daughter relationship when shopping. On certain occasions, daughters are referred to as their mothers' "Barbie Dolls" as mothers try to choose their own preferred outfits and the outfits that they can no longer wear, rather than the outfits preferred by the daughters.

DAUGHTERS TO REDEEM DREAMS

But the Japanese mother-daughter relationship is not one-dimensional. Despite the objectification of their daughters, Japanese mothers have high expectations regarding their offspring. Indeed, mothers generally regard their daughters' existence as highly important, and they try to turn their daughters into their extended selves to make them accomplish their unachieved desires.

To understand this contradicting dimension of the relationship, Profs Kimura and Sakashita invoke the history of Japan. Current mothers of teenage daughters, in their late forties or early fifties, received higher education under the post-war school system characterised by liberalism. This was in stark contrast to their own mothers who received little to no education.

However, even with inclusive education and newfound free will, most mothers had to, unfortunately, sacrifice their dreams and desire for the sake of their husbands and children.

As a result, Japanese mothers imprint their unsuccessful dreams onto their daughters, projecting their expectations and hopes for their daughters to mirror their ideal selves.

COMPLEX, YET THOUGHTFUL PARENTING

Under the lens of fashion consumption, the mother-daughter relationship in Japan confirms the existing understanding that mothers project a large part of themselves on their daughters. Observing the shopping habits and consumer patterns of Japanese mothers and daughters, Profs Kimura and Sakashita find that mothers exhibit contradictory behavior towards their daughters by treating them as dolls and by expecting lofty achievements from them.

However, all in all, the Japanese mother-daughter relationship takes a unique form as mutual-dependence, where mothers rely on their daughters – by controlling them – and vice versa. Moreover, in many cases Japanese daughters are actually willing to let their mothers control them to make them happy, additional research showing that daughters perceive themselves as care-givers for their own mothers.

Surveys in various countries have shown the family to be the most important thing to a majority of people. And within families, the importance given to children and their upbringing is seldom matched by others. While there may be cultural and historical reasons for parents to act in a certain way, every parent must strive to put the well-being of the child ahead of their own personal beliefs and dreams. Could this spell an end to the extended self? ///

KEY TAKEAWAYS

- ❑ Sometimes people buy or consume products to express their core self and in such cases, the products become a part of the consumer's extended self.
- ❑ Profs Kimura and Sakashita discover two major yet contradicting observations about the mother-daughter relationship dynamics in Japanese culture.
- ❑ The daughters are referred to as the mothers' 'Barbie Dolls' as the mothers try to choose their own preferred outfits and the outfits that they can no longer wear rather than the outfits preferred by the daughters.
- ❑ The mothers generally regard their daughters' existence as highly important, and they try to turn their daughters into their extended selves to make them accomplish their unachieved desires.
- ❑ Under the lens of fashion consumption, the mother-daughter relationship in Japan confirms the existing understanding that mothers project a lot of themselves on their daughters.
- ❑ While there may be cultural and historical reasons for parents to act in a certain way, every parent must strive to put the well-being of the child ahead of their own personal beliefs and dreams.



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LEADERSHIP, MANAGEMENT, & SUSTAINABILITY

105

IS BIAS CAUSING BUSINESS LEADERS TO MAKE MISTAKES?
BY NICK CHATER

111

DOES EFFORT GUARANTEE PERFORMANCE AND SUCCESS?
BY FABRICE CAVARRETTA

115

THE RETAIL CROSSROADS: STITCHING TOGETHER REGENERATIVE BUSINESS MODELS FOR PROFIT, SUSTAINABILITY, AND SOCIAL RESPONSIBILITY
BY HAUTECLAIRE LULIN

121

REGENERATION AT THE CORE OF PROFITABLE RETAIL BUSINESSES AND SUPPLY CHAINS
BY AINHOA YE

125

ES & 'THE FORGOTTEN G': MAKING INTEGRITY STRATEGIC IN GOVERNANCE
BY DANIEL MALAN

131

THE ILLUSION OF INCLUSION: HOW ARTIFICIAL INTELLIGENCE CAN CHALLENGE THE 'BUSINESS CASE' FOR DIVERSITY
BY MARLA MACINNIS

137

WHERE ESG DOESN'T PAY OFF
BY PIERRE CHAIGNEAU

143

POWERING CHANGE: ELECTRICITY, TRANSITION AND DEVELOPMENT
BY RAFAEL ECHECHIPIA FONTANA

149

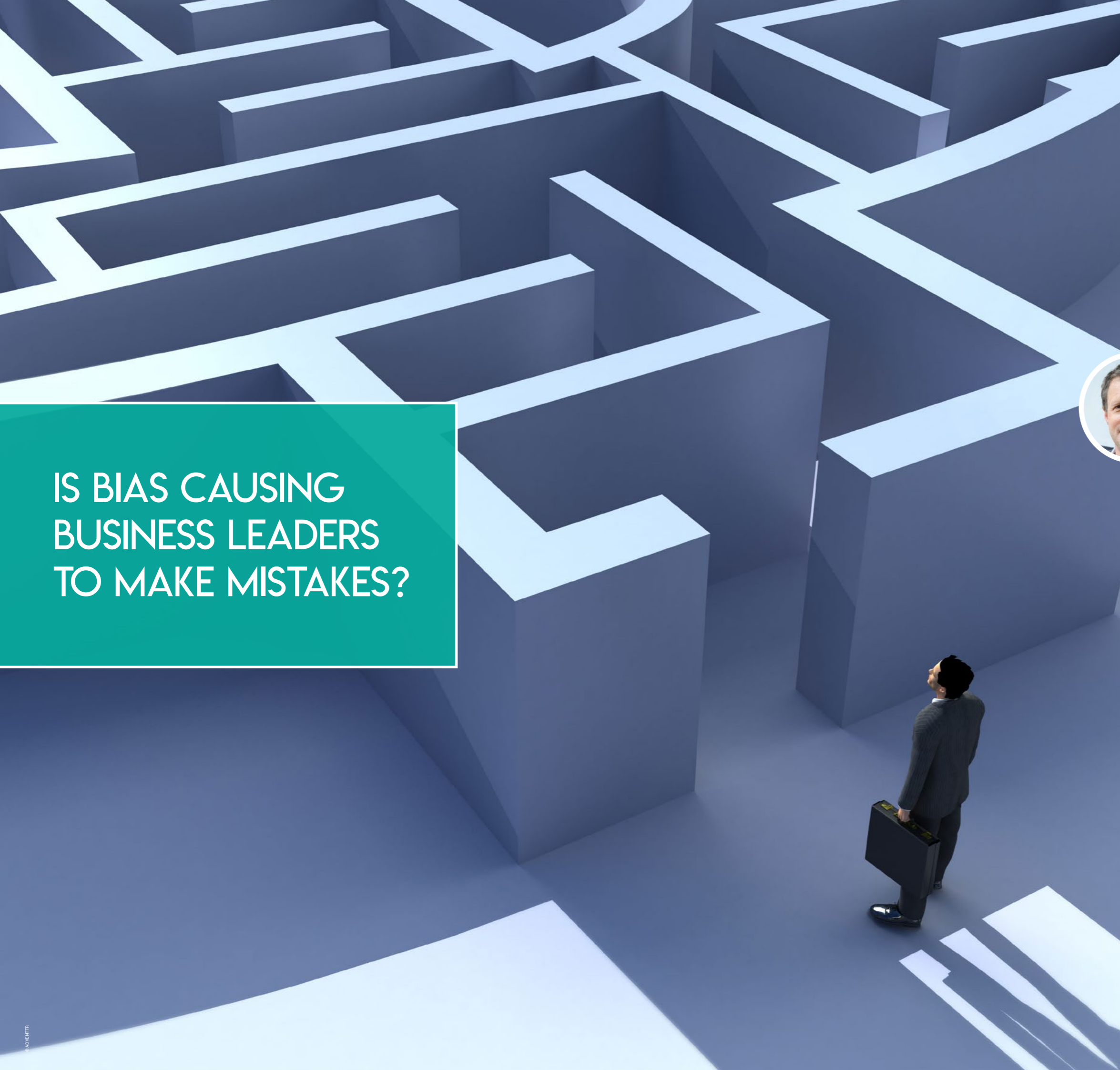
ESG AND THE WINE SECTOR: TURNING VINICULTURE GRAPES FROM SOUR TO SWEET
BY LIGIA COSTA

155

THE FUTURE OF WORK IS DIGITAL AND GREEN
BY DIMITRIOS SPILIOPOULOS

161

INTEGRATING GENDER WHEN DEVELOPING LARGE INFRASTRUCTURE PROJECTS
BY SONA KESSARIA



IS BIAS CAUSING BUSINESS LEADERS TO MAKE MISTAKES?



The human mind is incredibly successful in dealing with a hugely complex and uncertain world. But the tricks that we use, drawing on experience, and creating narratives, can also lead us astray.



Leadership is hard, and behavioural science certainly doesn't provide a recipe for success. It can, however, help shape a generation of more reflective and thoughtful leaders. Professor **Nick Chater, Warwick Business School**, puts the filters of perception under the lens to explore how bias causes business leaders to make mistakes.

With kind acknowledgements to the team at Warwick COREInsights.

BUSINESS LEADERS - BIAS AND MISTAKES

The human brain is an incredibly sophisticated biological system for continuously processing new information and determining what to do. But while it generally works amazingly well, our brains are subject to so-called cognitive biases, particularly when presented with new problems and situations. Decision-making is a key part of business and entrepreneurship and often these decisions involve dealing with novel situations, where cognitive biases are most likely to strike. In this article, I outline three aspects of human thinking that can cause business leaders to make mistakes.



SOLVING NEW PROBLEMS BASED ON PAST EXPERIENCE

The human brain continuously tries to map past experiences onto the present. This means that when we are presented with new problems or challenges, our mind immediately asks: "Did I face something similar in the past and, if yes, what did I do then?" or "What do other people do in situations like this?"

The brain is seeking out 'precedents', like lawyer examining past legal cases. This type of thinking, which is sometimes referred to as 'example-based' or 'case-based' thinking, often leads to successful actions in situations that closely match past cases: what worked before will probably work again.

But in new scenarios or in cases that only partly resemble previously encountered problems, precedent-based thinking can cause be a significant source of bias. And thinking we've "seen it all before" can lead us to make the wrong decision often with great confidence - not realising that we are fighting the "last war" not dealing with the present conflict.

So when leading a new company, leaders will be all-too-likely to try to replicate what worked at their last company. And when faced with a new crisis (e.g., a sudden drop in sales), they will be likely to reach for strategies that worked last time they had the same problem (sometimes known as "default bias"). But this will not always be appropriate.

To effectively tackle a new problem, however, business leaders need be careful to reflect on the unique aspects of the new situation---being careful not to overgeneralize from past experience. Indeed, a tendency to stick to the "tried and tested" can be a real obstacle to positive change.

LEADERS AND BIAS: CREATING NARRATIVES

Another thought pattern that can both positively, but also adversely, impact business decision-making is our mind's tendency to create stories and narratives.

While dealing with any kind of challenge, we all have a natural tendency to create a 'story arc' with heroes, villains, and challenges to overcome. But we often don't notice that our own version of story is not the only possibility, and it may not be the most appropriate.

For instance, when the Covid-19 virus first started spreading across Europe and the U.S., politicians created different narratives to explain what was happening to the public.

Perhaps the pandemic was a "false alarm" that would rapidly fade away; or perhaps it was "like the flu" and could not be halted, but only "managed" as it ran through the population; or perhaps it was a deadly disease that could and should to be stopped by drastic action.

These narratives, of course, shape the decisions that are made: is the main objective to "calm nerves" and avoid an over-reaction; or to slow an inevitably spread so that health services are overwhelmed; or to shut down society until vaccination "comes to the rescue"?

Similarly, business leaders create and use narratives, whether thinking of the pandemic or any other challenge---and the wrong narrative could inadvertently end up biasing their decisions.

They might, for example, start firmly believing a narrative in which they alone can see the right strategy for the company, and need to drive it through, against resistance from others who don't have their uniquely insight. This may be dangerous if the others turn out to be right.

Subsequently, these narratives might prevent them from identifying evidence of the contrary or lead them to only seek out information that confirms their narratives: the well-known phenomenon of confirmation bias. So, people with different opinions may be rejected as "blockers" (perhaps motivated by some ulterior motive to frustrate progress); or data that seems to contradict the narrative may simply be labelled as unreliable.

Leaders can easily become trapped in their own narratives, rather than flexibly shifting their thinking as new information emerges.

To avoid falling into the traps of our 'narrative-based' thought patterns, business leaders can try to reflect on the stories that they tell, and actively consider other possible stories. It is all-too-easy to mistake a story for the incontrovertible truth.



BIAS: THE TENDENCY TO ACT TOO SOON

The third potentially problematic behavioural pattern, which stems from the first two, is a tendency for business leaders do too much, too soon.

For instance, a newly hired CEO might immediately start trying to re-organize a company, re-brand it, introduce new business strategies, hire new employees, or sell/buy some of the company's subsidiaries or assets.

Instead of evaluating the strengths and weaknesses of the company and then pondering on what is working and what could be improved, business leaders can often make big changes quickly (usually based on what worked for them in the past), hoping for quick positive outcomes, which will then be attributed to their efforts. And even if things go badly, at least no-one can accuse them of not trying! But this leads to a bias to engage in flurries of change, whether useful or not.

Linking back to narrative, many business leaders see their role as that of a guru, who is supposed immediately to know "all the answers." This is usually not a helpful perspective.

In most cases it is far wiser to take a step back and properly evaluate a situation first, instead of immediately trying to take decisive action. A period of learning about the business challenges, talking with colleagues, and hard thinking, could lead to far more objective analysis and fruitful choices.

The human mind is incredibly successful in dealing with a hugely complex and uncertain world. But the tricks that we use, drawing on experience, and creating narratives can also lead us astray, when we too quickly pick on the wrong precedent, or create an unhelpful story. And we need to guard against the tendency to rush into action, when a more measured and thoughtful approach may be more constructive.

Leadership is hard, and behavioural science certainly doesn't provide a recipe for success. It can, though, help shape a generation of more reflective and thoughtful leaders. ///

KEY TAKEAWAYS

- ❑ Decision-making is a key part of business and entrepreneurship and often these decisions involve dealing with novel situations, where cognitive biases are most likely to strike.
- ❑ The human brain continuously tries to map past experiences onto the present. This type of thinking often leads to successful actions in situations that closely match past cases.
- ❑ But in new scenarios or in cases that only partly resemble previously encountered problems, precedent-based thinking can cause be a significant source of bias.
- ❑ But to effectively tackle a new problem, business leaders need be careful to reflect on the unique aspects of the new situation.
- ❑ Another thought pattern that can both positively, but also adversely, impact business decision-making is our mind's tendency to create stories and narratives.
- ❑ Leaders can easily become trapped in their own narratives, rather than flexibly shifting their thinking as new information emerges. To avoid this, business leaders can try to reflect on the stories that they tell, and actively consider others: it's all-too-easy to mistake a story for the incontrovertible truth.
- ❑ The third potentially problematic behavioural pattern, is a tendency for business leaders do too much, too soon. A newly hired CEO might immediately start trying to re-organize a company, re-brand it, introduce new business strategies, hire new employees, or sell/buy some of the company's subsidiaries or assets.
- ❑ Instead of evaluating the strengths and weaknesses of the company and then pondering on what is working and what could be improved, business leaders can often make big changes quickly (usually based on what worked for them in the past).
- ❑ In most cases it is far wiser to take a step back and properly evaluate a situation first, instead of immediately trying to take decisive action. A period of learning about the business challenges, talking with colleagues, and hard thinking, could lead to far more objective analysis and fruitful choices.



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DOES EFFORT GUARANTEE PERFORMANCE AND SUCCESS?



As a young professional, it's important to understand that success is not just about working hard.



While popular culture promotes the idea that effort is the key to success, it's essential to understand the different contexts in which it operates.

Research by Professor **Fabrice Cavarretta, ESSEC Business School**, explores the dual nature of effort as both a cause and a consequence of success to propose an effective mechanism to help boost motivation and pleasure.

Related research: [Effort is dead, long live effort: Performance as 'planning for a good trip'](#), Fabrice Cavarretta, Science Direct, Elsevier. By CoBS Editor Muskan Chourey.

BEYOND HARD WORK

Sarah is a dedicated employee at a marketing agency. To advance in her career, she pushes herself to work long hours and taking many additional task which often she does not enjoy so much. Despite her efforts, she is passed over for a promotion in favour of a colleague who seems to put in less effort.

Upon speaking with her manager, Samantha realizes that the colleague who received the promotion focuses on a few productive stuff that she excels in and truly seems to enjoy, while Samantha had focused solely on putting more effort to the point of starting to resent her work. Samantha realized that her understanding of "effort" had been too narrow, believing that working hard and producing quality work would automatically lead to performance, hence advancement.



© YINYANG

But effort can have different meanings in different contexts, asserts Prof. Fabrice Cavarretta in his research titled *Effort is dead, long live effort*. And simply working hard may not always lead to the desired outcome.

The HR school of thought states that motivation drives performance, but effort itself does not occupy a central position in scientific research, beyond the fact that it could be derived from various motivational processes. The confusion occurs as effort can be a *cause* of behaviour, vs. effort being a *consequence* of behaviour, the former being just effortful and not so productive, whereby the latter effort reflecting intrinsic motivation for the task. This confusion matters, as it may lead managers failing to properly conceptualize employees' lack of effort. Expecting workers to expand effort can often backfire, as the typical Sarah is not actually blooming in her work, hence negatively affecting her productivity, and not even being aware of it.

SEARCHING FOR THE RIGHT PATH

A successful path to performance is therefore not simply about expanding effort. Rather, it is about triggering a spiral linking effort to performance to pleasure to motivation and back to effort. Prof. Cavarretta's research into the question navigates three contexts in which effort typically applies: management, education, and dieting. It takes both the point of view of individuals willing to manage their own performance and that of leaders that wish to develop the performance of their teams. Cavarretta's findings suggest that the dynamics leading to performance and success are complex and features looped processes more akin to those of addiction – here, good addiction to enjoyable and productive activities. For Cavarretta, effort has a dual nature.

SPIRALLING UPWARDS – TO SUCCESS

One of the ways through which we can foster effort, performance, and motivation is by observing the journey of a long-term performer and noticing the compound effect of linking effort leading to performance as well as performance leading to effort, allowing the building of spiral whereby only small initial effort to aggregate into great compound results.

Achieving success in any field is not just about putting in effort as a cause. Rather, it requires a combination of indirect actions that lead to the creation of such self-sustaining spirals of effort, performance, pleasure, motivation, and more effort. When people engage in compulsive behaviours such as high level sports or music, they follow such spirals that keep them motivated and engaged.

However, building these spirals in the context of work, education, or fitness requires an architectural focus that is not provided by popular self-help advice or even motivation theories such as Edward Deci's and Richard Ryan's *self-determination theory*.

To create and maintain performance spirals, individuals should be given autonomy to choose their assignments and encouraged to engage in activities that they perceive as intrinsically rewarding or pleasurable. For example, teachers can make long and complex tasks more appealing to children by structuring and presenting activities as fun, as in the case of *Montessori* pedagogical methods. As such, by engaging children in baking, teachers can help them understand concepts like ratios and proportions more easily and sustainably. Later, as adults, by initiating and selecting for themselves desirable activities, individuals can build and maintain self-sustaining spirals of success in areas where they want to perform.

WHY EFFORT MIGHT BE TOXIC

Have you ever tried to stick to a strict diet or study for an important exam but ultimately failed to meet your goals? The reason behind this common phenomenon may lie in our *cultural script* – or what our nationality, religion, or family values might educate us to believe in – that glorifies effort-as-pain. If we associated effort with pain then, we tend to focus solely on the direct task at hand and force ourselves to expand effort, hence pain. Instead, the idea should be to focus on processes that makes us want to do more, hence delivering greater results for less pain, in a process that can be sustained to success.

Establishing such a system of positive spiral requires an indirect approach. It involves triggering pleasure and motivation that drives the activities, hence the validations, hence further natural effort. For instance, instead of forcing yourself to eat healthy, you could find joy in trying new healthy recipes or even start cooking for yourself, hence increasing the chance that quality foods become "interesting" to you.

Interesting, the effort-as-pain cultural script leads to paradoxical negative outcomes. When we focus solely on the direct task, we tend to experience stress, hoping to get quick results or fearing that we are not at the proper performance level. This defensive approach to stress leads us into accomplishing tasks requiring huge amounts of painful effort, which, in the long-term, leads to a feeling of being alienated and hopeful for something more enjoyable.

MOVING TOWARDS SUSTAINABLE SUCCESS

As a young professional, it's important to understand that success is not just about working hard. Prof. Cavarretta asserts that it's about finding pleasure in what you do, being motivated by your performance, and using that motivation to continue putting in effort. "Remember," states Fabrice Cavarretta, "that effort is both a cause and a consequence, and that it's important to establish a positive loop between effort, performance, and motivation."

To do this, you can implement strategies such as setting achievable goals, finding ways to enjoy your work, seeking feedback, and continuously learning and improving your skills. "Moreover," says Prof. Cavarretta, "don't be afraid to ask for help or guidance from mentors or leaders in your field. By following these strategies, you can build a sustainable path to success and fulfilment in your career." Who knows – for the 'typical Sarah', disheartened when seeing her promotion opportunity taken from under her feet, there might be hope for the next time she will be actually enjoying the great work she accomplishes. ///



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KEY TAKEAWAYS

- ▣ Acknowledging the dual nature of effort – causal vs. consequential -- can help avoid oversimplifying the relationship between effort and success.
- ▣ Creating a positive feedback loop that links motivation and pleasure to consequential effort can help foster performance and success.
- ▣ Achieving success requires a combination of indirect actions that lead to the creation of self-sustaining spirals of effort, performance, pleasure, motivation, and more effort.
- ▣ Establishing a system of sustained success requires triggering pleasure and motivation that drives the process and feeds further effort.
- ▣ Success is not just about working hard, it's about finding pleasure in what you do, being motivated by your performance, and using that motivation to continue putting in effort.



THE RETAIL CROSSROADS: STITCHING TOGETHER REGENERATIVE BUSINESS MODELS FOR PROFIT, SUSTAINABILITY, AND SOCIAL RESPONSIBILITY

“
The retail industry's future is intertwined with regenerative business models that emphasize profitability, sustainability, and social responsibility.”



Hauteclaire Lulin, MiM student at **ESSEC Business School** and finalist in the CoBS 2023 Student CSR Article

Competition, takes a deep dive into the retail industry to provide a blueprint for a clean, green and more equal business model.

In the 17th century, the Flying Shuttle transformed the weaving industry, dramatically accelerating the production of textiles. Today, the fashion retail sector faces an equally momentous challenge: transitioning from traditional supply chains to more sustainable, regenerative ones. Standing at a crucial crossroads, the retail industry grapples with striking a balance between economic imperatives and the environmental repercussions of conventional linear supply chains. As the fashion world embraces a new approach to commerce—integrating profitability, sustainability, and social responsibility—regenerative models are increasingly gaining prominence. Regenerative business models, defined as those that enhance and thrive through the health of socio-ecological systems (SES) in a co-evolutionary process (Hahn & Tampe, 2021), are emerging as the future of fashion retail. Since over 50% of an average corporation's carbon emissions come from its supply chain (Carbon Disclosure Project, 2011), understanding the strategies and benefits regenerative business models offer fashion retailers is crucial to creating a more prosperous and sustainable future for all.



RETAIL SUPPLY CHAIN QUANDARIES: RETHREADING THE APPROACH

The fabric of retail supply chains has long prioritized cost efficiency and globalization. However, as sustainability and social responsibility capture the spotlight, it's time to rethink our approach. The fashion industry must navigate dilemmas in global sourcing, transportation, and waste management head-on.

First, even though global sourcing has been able to trim consumer prices, it has often been done at the expense of the environment and social justice. Non-organic cotton, for instance, is a water-intensive crop that accounts for 10% of global pesticide use (Striepe, 2011), and a shocking 93% of brands surveyed by Fashion Checker fail to pay garment workers a living wage. Retailers must prioritize ethical sourcing and sustainable materials to mitigate these issues, reduce supply chain disruptions and legal risks, and enhance brand reputation while contributing to community and ecosystem well-being.

Second, with 60% of fashion retailers offering one to three-day delivery (Deloitte, 2022), the pressure to provide rapid and convenient shipping options is mounting. However, this haste contributes to the fashion industry's annual 1.2 billion metric tons of greenhouse gas emissions (Ellen MacArthur Foundation, 2017). Retailers must balance consumer demands with environmental concerns by adopting low-carbon shipping methods and direct-to-consumer models, reducing their

transportation footprint and fostering brand loyalty among eco-conscious consumers.

Third, retailers struggle to maintain stock levels and minimize overproduction. With overproduction at 30-40% per season, the fashion industry wastes approximately \$500 billion annually due to unsold stock (Ellen MacArthur Foundation, 2021). By implementing circular design and closed-loop production, retailers can decrease waste, cut production costs, and establish a more sustainable business model, benefiting both the environment and the company's financial performance.

BEYOND GREEN: THE BUSINESS CASE FOR REGENERATIVE PRACTICES

Contrary to conventional wisdom, embracing regenerative supply chains not only yields environmental and societal dividends but also unlocks a trove of financial opportunities. By promoting circular design, low-carbon shipping methods, closed-loop production, and ethical sourcing, retailers can curtail carbon emissions and waste while elevating product quality—ultimately gaining a competitive edge, attracting eco-conscious shoppers, trimming operational costs, and fostering brand loyalty.

First, implementing circular design principles enables retailers to reduce material consumption, minimize waste, and slash production costs, resulting in lower operational expenses and increased profit margins. Moreover, by sourcing materials

locally and collaborating with suppliers adhering to ethical labor standards, retailers can mitigate the risks of supply chain disruptions and costly legal entanglements. Indeed, firms incorporating sustainable and ethical practices into their supply chains outperform their less conscientious counterparts financially (Santis et al., 2016). Additionally, retailers adopting regenerative models can benefit from government incentives and tax breaks designed to promote sustainable business practices, further reducing operational costs and enhancing overall profitability.

Regenerative supply chains also foster brand loyalty and reputation, which are crucial in the fiercely competitive retail landscape. As consumers become more discerning about the social and environmental implications of their purchases, they are more likely to support brands that resonate with their values. By endorsing sustainable and ethical practices throughout their supply chains, retailers can build a strong brand reputation and establish a devoted customer base, boosting the company's financial performance while enhancing the collective well-being of society and the environment.

Adopting a regenerative business model can also help retailers build long-term resilience and growth. By proactively addressing the challenges associated with climate change and resource scarcity, companies can better adapt to potential disruptions in their supply chains and markets, leading to more robust and sustainable growth as businesses become better equipped to navigate future challenges and uncertainties.

THE SARTORIAL SHIFT: NAVIGATING THE COMPLEXITIES OF REGENERATIVE FASHION SUPPLY CHAINS

Despite the numerous advantages of shifting towards a regenerative supply chain, fashion retailers are faced with challenges and intricacies. The primary issue involves dedicating resources to researching, developing, and incorporating innovative sustainable materials and processes, a move demanding both capital and patience. This requires companies to shift their focus from short-term profits to long-term sustainability, potentially triggering resistance from suppliers and other stakeholders entrenched in conventional linear supply chains (Drift for Transition, 2018).

Another challenge is effectively monitoring and enforcing ethical labor standards and environmentally friendly practices throughout expansive global supply chains. Ensuring transparency and traceability is essential, which leads companies to consider advanced technologies like blockchain and digital tracing, despite their complexity and cost.

Consumers may also express skepticism about the sincerity of businesses adopting regenerative business models. For example, when H&M introduced its "Conscious Collection" and garment recycling programs, the company faced criticism for not adequately addressing overproduction and the negative impacts of fast fashion. To dispel doubts, companies must prioritize education and communication, emphasizing the long-term benefits of sustainable initiatives. Collaborating with NGOs

and regulators to establish and follow industry-wide standards can also facilitate the acceptance and support of regenerative models.

THE (RE)GENERATION GAME: LESSONS FROM TRAILBLAZERS

As sustainability measures are implemented, companies may encounter higher production costs, reduced product variety, and longer lead times. To balance these trade-offs, businesses must demonstrate ingenuity and persistence while maintaining competitiveness and working towards sustainability goals. Three pioneering firms, Allbirds, VEJA, and Stella McCartney, have emerged as leaders in these areas, proving the profitability of integrating sustainability.

ALLBIRDS: SOARING TO NEW HEIGHTS IN SOURCING

Allbirds, a footwear company founded in 2014, has revolutionized the sustainable sourcing of materials. By using responsibly sourced, natural materials like Merino wool, eucalyptus fibers, and sugarcane-based foam, Allbirds has significantly reduced its carbon footprint (Mainwaring, 2021). The brand's commitment to transparency and traceability allows it to ensure ethical practices throughout its supply chain, while appealing to environmentally conscious consumers. This focus on sustainable sourcing has contributed to Allbirds' impressive growth, reaching a valuation of \$1.7 billion in 2020.

VEJA: KICKING UP A STORM IN TRANSPORTATION

French sneaker brand VEJA has made strides in rethinking transportation within the fashion industry. The company prioritizes low-carbon shipping methods, such as sea freight, over air transportation, effectively reducing their greenhouse gas emissions. Additionally, VEJA has adopted a direct-to-consumer model, eliminating the need for intermediaries and further minimizing its transportation footprint (Duarte, 2022). These initiatives have positioned VEJA as an environmentally responsible brand, driving sales growth of 50% between 2020 and 2021 (Fashion Network, 2021).

STELLA MCCARTNEY: CRAFTING A CIRCULAR WASTE MANAGEMENT MASTERPIECE

Luxury fashion designer Stella McCartney has long been a champion of sustainable and ethical practices, with waste management as a cornerstone of her brand's strategy. The company actively reduces waste by using cutting-edge technologies, such as innovative zero-waste pattern cutting. Moreover, Stella McCartney embraces circularity by repurposing and recycling materials for new products. The brand's commitment to waste reduction has not only garnered critical acclaim but also contributed to a 14% increase in revenue between 2020 and 2021.

THREAD BY THREAD: REFASHIONING THE RETAIL INDUSTRY

As regenerative business models gain prominence, the retail industry must adapt and evolve. The retail industry's future is intertwined with regenerative business models that emphasize profitability, sustainability, and social responsibility. As more companies adopt these models, a transformation of the fashion industry is imminent.

The question remains: Can the industry as a whole make the necessary changes to create a more sustainable and just world? The answer will determine the legacy we leave for future generations. By learning from trailblazers like Allbirds, VEJA, and Stella McCartney, other companies can follow in their footsteps and contribute to a better, more sustainable future for the retail industry and the planet. ///

KEY TAKEAWAYS

- ❑ Addressing dilemmas in the supply chain, such as global sourcing, transportation, and waste management, can help tackle environmental and social challenges.
- ❑ Adopting regenerative business models can provide competitive advantages, reduce operational costs, and increase brand loyalty for retailers.
- ❑ Focusing on ethical sourcing and investing in sustainable materials can minimize negative environmental impacts and improve the well-being of local communities.
- ❑ Prioritizing low-carbon shipping methods and direct-to-consumer models can assist retailers in reducing their transportation footprints and catering to eco-conscious consumers.
- ❑ Embracing circular design and closed-loop production can lead to reduced waste, lower production costs, and the development of more sustainable business models.
- ❑ To overcome challenges in adopting regenerative supply chains, retailers should prioritize education, communication, and collaboration with NGOs, regulators, and other stakeholders to establish and follow industry-wide standards.



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Maybe soon, businesses and consumers will be able to look back and feel proud of the positive handprints they have contributed to.

REGENERATION AT THE CORE OF PROFITABLE RETAIL BUSINESSES AND SUPPLY CHAINS



Ainhua Ye, MSc in Operations & Supply Chain Management student, and **Trinity Business School** Winner, contends that

the time has come to tackle climate crisis through the crucial role of retail in leading the way towards a new era of profitable and regenerative businesses by redesigning their supply chains and business models.

As human beings, we are wired to care, learn, and create. Whether we are nurturing a life, pursuing a passion, or building a business, we feel a sense of pride and satisfaction when we make progress and achieve desired outcomes. However, despite this, we often support businesses that prioritize profit over the well-being of marginalized communities and the health of our planet. This raises the question: have we lost our way?

As much as companies are trying to become sustainable in every aspect, it is not enough. In this article we place retail companies under the spotlight to highlight their crucial role in leading the way towards a new era of profitable and regenerative businesses by redesigning their supply chain and business models.

SUSTAINABILITY GOALS ARE NOT ENOUGH

Picture this: Imagine yourself running a profitable business where the only trail it leaves is a positive impact on customers, communities, and the Earth. Although it may sound utopian, this is what defines a regenerative business and it is what companies should aim for, since sustainability goals are simply not enough.

According to a study carried out by *Uniting in Science* and the *World Meteorological Organization*, greenhouse gas emission reduction pledges need to be seven times higher to meet the Paris Agreement's target of limiting global temperature increases to 1.5 degrees Celsius above pre-industrial levels. Moreover, the United Nations Secretary-General, Mr Guterres warns that the analysis indicates "we are still way off track" and we will soon be in "uncharted territories of destruction" if we continue to ignore climate change and its devastating consequences (United Nations, 2022). In 2022, there were frequent extreme natural disasters related to global warming, some of which had the highest human, economic, and environmental costs among the long list of worldwide catastrophes, including Hurricane Ian in the US and Cuba, severe droughts in China and Europe, and massive floods in Pakistan and East Australia (World Economic Forum, 2023).

Unsustainable practices have led us to the tipping point of climate change. However, this is not the time to become desensitized, but rather act before the damage becomes irreversible.

GENERATING POSITIVE HANDPRINTS

Retail brands across all industries are working hard towards achieving better environmental, social, and governance (ESG) practices (McKinsey Sustainability, 2022). Whether it's fashion, food and beverage, or e-commerce, companies are innovating to achieve net-zero carbon emissions through circular economies, renewable energy, eco-friendly materials, and more.

For instance, Azurmendi Restaurant, located in Larrabetzu, a small Basque town, is housed in a bioclimatic building that blends into the natural environment and utilizes resources such as sunlight to reduce the need for artificial lighting and generate solar energy. Moreover, rainwater is collected to irrigate their greenhouse, which features over 400 local plant species, or for use in the WCs. (Azurmendi Restaurant, 2020)

However, regenerative business takes things a step further by aiming not just to break even in terms of carbon emissions, but to generate a positive handprint. Dyllick and Hockerts (2002) emphasized this idea and stated that calculating carbon footprints can be time-consuming and expensive, but in contrast, monitoring positive impact is simpler and more visible. Two actions can result in forming handprints: shrinking or avoiding footprints that would have otherwise occurred and creating positive impact (Harvard University, 2015). Regeneration essentially requires a reversal of the current system, where resources are consumed and waste is produced, and instead implement a system that consumes existing waste and produces resources (CHEP, 2021).

There are several businesses that currently employ regenerative methods in their operations. An example of this is the partnership between Patagonia and their cotton producers, where they have implemented regenerative agricultural practices to maintain soil health, which in turn increases productivity and the ability to absorb carbon dioxide from the atmosphere (Patagonia, 2023). Another example is On Running that works closely with its partners and has introduced a circular subscription program of running shoes made of carbon negative and bio-based materials (On Running, 2023).

CHANGE IS NOT ALWAYS EASY

Nevertheless, the transition to fully regenerative businesses will not come without its challenges. Change is not always easy, even if imperative. Forward thinking is always accompanied by risks associated to novelty and unknown unknowns. In highly competitive markets like retail, it is those who innovate that manage to be in the lead. Nonetheless, there is a plethora of issues that might hinder progress to shift to this model and develop regenerative capabilities in the supply chain such as increased costs, financial constraints, inconsistencies in the concept of regeneration as companies differ across sectors, conflict of interests, and lack of trust or knowledge, among others.

THE KEY ROLE OF RETAIL COMPANIES

The transition to regenerative business requires a holistic collaboration from governments, institutions, suppliers, businesses, consumers among others, but it is retail companies that can drive this change.

First, retailers have control over their business model and the power to reinvent themselves and reconsider priorities reflected in their values, mission, and vision which usually work towards the triple bottom line – that is, economic, environmental, and social sustainability goals. They should leverage their innovation capabilities to provide products that are designed to be high quality, recyclable and leave a positive impact, instead of selling high carbon emitting goods that follow a linear concept of "take, make, dispose".

With this clear purpose of creating positive impact, retail companies can decide to source responsibly. By collaborating with suppliers who share similar values, they can cultivate an environment of cooperation and trust, facilitating the development of end-to-end supply chains that promote regeneration. For instance, those who rely on agricultural and animal commodities can start by building partnerships with certified farmers who are committed with animal welfare, enriching soil, preserving biodiversity, responsible use of chemicals and water treatment or procure from suppliers who empower communities and make efforts to improve standards.

Furthermore, retailers are in direct contact with consumers and bear a significant responsibility to change their behaviour. Increasing transparency and effective marketing strategies that explain the advantages of regenerative products can encourage customers to make informed decisions and be willing to pay a higher price. Nevertheless, it is crucial to clearly communicate the environmental benefits of the products to avoid any scepticism or perception of greenwashing, as highlighted by Cronin et al.'s (2011) research.

COLLABORATION THE PATH TO REGENERATION

Whether it is via incremental changes or radical innovation, retailers must design new methods to strengthen collaboration



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among all tiers, which is key to create a net positive system aiming at triple regeneration. Increasing communication, investing in technology, sharing knowledge as well as risk among supply chain stakeholders are essential to achieve the common goal: delivering high value products and services consistently to customers in a net positive way.

Collaborative environments can be enhanced by building transparency and efficient traceability of regenerative products along the supply chain. This can be achieved by utilizing artificial intelligence and blockchain technology, which ensure the authenticity of data. Furthermore, as customers' awareness of responsibly sourced products continues to grow, they are more likely to feel inclined to make purchases and become co-owners of the positive impact being generated. Thus, there are numerous opportunities for retailers to exploit.

Moreover, collaborative and regenerative supply chains offer an additional advantage of enhancing its robustness and resilience. A healthier system will be less vulnerable to disruptions, regardless of the field, whether it's agriculture or the supply chain itself.

KAIZEN, CO-OPETITION AND RESILIENCE

In addition, retail businesses should engage in continuous improvement. Establishing indicators can aid in measuring progress, although they are seldom used in both academic and practical contexts when it comes to regeneration (Howard et al., 2019). An example of an index is monitoring the amount of workshops in the supply chain to share successful regenerative practises. Businesses should think of competition not like a zero-sum game, but rather as co-opetition. Fighting climate change is a common goal that needs synergies in companies and among private and public institutions to catalyse the transition to make regenerative business models the new norm. Additionally, conducting regular lifecycle assessments to evaluate the product's performance can help track progress, optimise the creation of value, and decrease its carbon footprint along the supply chain stakeholders.

TRIPLE REGENERATION, SLOWLY BUT SURELY?

It is disheartening to see the yawning gap between sustainability pledges and reality, as well as the impact of climate change – more extreme and frequent natural disasters – not to mention deforested land and polluted landscapes due to unsustainable business activity.

One of the major players who can address this issue then, are retailers. They can build an end-to-end supply chain that aligns with the core values and shared aspiration of all links to become a regenerative model that generates positive handprints.

When implementing a regenerative model, retail businesses can overcome challenges like uncertainty, increased costs, and lack of trust or knowledge, through strong collaboration with the complete supply chain. This can be achieved if transparency and traceability are increased by implementing innovative technology.

All in all, profitable regenerative business models have triple regeneration benefits that enhance social and environmental stewardship as well as supply chain resilience, and there are many significant opportunities that retailers can leverage. But more importantly, they must engage in paving the way to regenerative models and set new industry standards. Maybe soon, businesses and consumers will be able to look back and feel proud of the positive handprints they have contributed to. Now, the next matter is, how can they replicate the amplifying phenomena of the bullwhip effect to make regenerative businesses become the norm and raise the urgency of developing and adopting regenerative practices to restore deforested land, heal exploited communities, and achieve sustainability goals? ///

KEY TAKEAWAYS

- ❑ Retail crucial role in leading the way towards a new era of profitable and regenerative businesses by redesigning their supply chain and business models which aim at not just break even in terms of carbon emissions, but to leave a positive handprint.
- ❑ Sustainability goals are simply not enough. According to a study carried out by *Uniting in Science* and the *World Meteorological Organization*, greenhouse gas emission reduction pledges need to be seven times higher to meet the Paris Agreement's target of limiting global temperature increases to 1.5 degrees Celsius above pre-industrial levels.
- ❑ The transition to fully regenerative businesses will not come without its challenges to develop necessary capabilities in the supply chain such as increased costs, conflict of interests, lack of trust or knowledge, among others.
- ❑ Strong collaboration among all tiers is key to create a net positive system aiming at triple regeneration. Increasing communication, investing in technology, sharing knowledge as well as risk among supply chain stakeholders are essential.



ES & 'THE FORGOTTEN G': MAKING INTEGRITY STRATEGIC IN GOVERNANCE



Putting more emphasis on integrity in the governance dimension can be a powerful source for strategic advantage.



Professor **Daniel Malan, Trinity Business School**, draws on his research in over 24 leading companies to propose a blueprint for ethics and integrity to become strategic, holistic and effective tools in corporate governance.

Related research: [The Rise and Role of the Chief Integrity Officer: Leadership imperatives in an ESG-driven world](#), World Economic Forum White Paper 2022.

The environmental, social and governance dimensions to business have come to the forefront in recent years – so much so that the acronym ESG has become household with hardly a strategic correspondence going by without mention of it. But for Daniel Malan, Assistant Professor in Business Ethics at Trinity Business School, it is almost a case of 'ES + the forgotten G', governance having been relegated to third and often overlooked place as Environment and Social steal the limelight and garner greater attention and support. For Malan, this over-focus on ES within corporations may be detrimental to a firm's performance and impact. While putting more emphasis on integrity in the governance dimension to business may not only help deal with the complexities firms face, but also be a powerful source for strategic advantage.

INTEGRITY ON THE RISE

Prof. Malan has researched the issue of governance, ethics and compliance as part of his academic role at Trinity and also as part of his work as a member of the World Economic Forum's Global Future Council on Transparency and Anti-Corruption. In collaboration with co-authors Alison Taylor, Anna Tunkel and Birgit Kurtz this research culminated in an article that was published by MIT Sloan Management Review.

Their findings point towards ethics and integrity gaining ground in companies, perhaps the clearest evidence being the recent emergence of the role of Chief Integrity Officer in leading firms. Often, the incumbent sits on the corporate C-suite and has a degree of independence and autonomy. But according to Malan, more is needed to fully make integrity and ethics an inherent part of corporate culture, behaviours, and importantly – a driver of strategy.

Meanwhile, ethical business continues to make its way in corporate circles, with the big names – Pepsi-Co, Vestas, Novartis and Unilever among them – leading the way. Giving it strategic importance makes it easier, internally, for managers and execs to identify instances of potential breach of ethics as well as avoiding hypocrisy. A decision, for example, to make an exception and offer a corporate gift very much above the norm to a 'good and longstanding friend' of the company could turn out to be an ethics & compliance nightmare when it comes to employees' future belief in the function's legitimacy and efficacy.

Malan's research has also revealed an external impact when putting ethics under a strategic light. Investors, for example – increasingly willing to place their money in businesses with solid reputations and beneficial impact for the wider good – are demanding that companies straighten out their commitments to sustainability, as well as rules on lobbying and political spending.

Sometimes, blending integrity into strategic initiatives has both internal and external benefits. Reviewing sales and marketing strategy – especially regarding operations and supply chains in emerging markets where the temptation is higher to cut costs to the detriment of employee working conditions and wellbeing, or taking advantage of loose bribery and corruption legislation – can provide aligned ethical business practices internally, while strengthening external reputation and value for potential investors.

All in all, the research among leaders in over 24 large companies and institutions highlights three ways forward for ethics and integrity to gain momentum and weight: Make it aligned with strategy, make it holistic by breaking down silos and impacting every department in the organisation, and, finally, engage employees on ethics and integrity issues and initiatives.

INTEGRITY MUST FLOW

To open up integrity to an organisation, silos must be broken down. One initial way of achieving this is a change in the Ethics & Compliance role. From being a 'niche' department that others respect, tolerate – or even fear – integrity must flow through several dimensions and impact the operations and decisions of the entire organisation. At Novartis, a pharma and healthcare company, for example, the role has expanded to become Chief Ethics, Risk and Compliance Officer thereby incorporating a key dimension – risk reduction – that cuts across all of the company's operations.

Another trend is that of broadening the collaboration between business, compliance, legal and CSR/sustainability departments within a company. This ensures coverage of matters ranging from CO2 emissions, safety, impact on stakeholders, legislation and human rights by an underlying thread that is integrity. Failure to tackle silos leads, at best, to dealing with individual issues and problems and, at worst, to increased risk of missteps and ethical lapses.

In short, integrity and ethics must be holistic in that they become an integral, inherent part of the firm's operations and strategy, with no part of the whole able to function without an ethical culture underpinning its subsequent actions and behaviours. Unilever, for example, has set up a global business integrity team to manage all aspects of its internal conduct and external actions. And to ensure that decisions and their resulting impact remain ethical and desirable, the team also includes a gamut of stakeholders – other businesses, government, NGOs and civil society – in its actions and problem-solving initiatives.

GETTING PEOPLE INVOLVED

Challenging as it may be, it is essential to onboard all employees – from senior management to front-line – for business integrity to become a core competency and culture in an organisation. Learning from the pioneers is useful.

Novartis, for example, developed its code of ethics via an inclusive, co-creation initiative including input from thousands of its employees. Setting up a team of behavioral scientists, the company also launched an ethical culture survey among its 108,000 employees, and HR now features ethical dilemmas as part of the recruitment process.

The research also brought to light the Canadian engineering and construction company SNC-Lavalin which has implemented an ecosystem of 150 integrity ambassadors whose job is to increase awareness, offer help and guidance, and promote integrity throughout the company. Training workshops have given way to discussions involving employees, creating an open space where they can raise questions on issues – including ethical challenges – they face on a daily basis rather than uniquely on compliance.

Prof. Malan notes that many of the interviewees in his research put an emphasis on building an ethical culture within their organisations. This makes sense. For culture – the under-the-waterline segment of Edward T. Hall's classic iceberg model – along with values, ultimately drive behaviours.



HOW TO MOVE FROM OVERLOOKED AND TOLERATED TO FOCUSED, HOLISTIC AND USEFUL

Although creating the post of Chief Integrity officer is a first step, this alone will not guarantee a culture of integrity within the organisation. Drawing on the results of the research in over 24 leading companies, Prof. Malan offers a set of recommendations to make ethics and integrity an inherent part of both the firm and employee:

- The first is to endorse integrity as strategic, with an effort to ensure alignment and coordination with the company's business strategy. This increases the effectiveness of integrity tools such as decision-aids, codes of ethics, or internal Q&A forums. Integrity would also gain much in legitimacy if it is reflected in corporate reporting and roles, with back up coming in the guise of task forces to address ESG issues.
- As mentioned previously, Malan's research points to an important factor being the breaking down of silos and cascading integrity throughout the various levels and departments in the organisation. A further way of trickling integrity throughout the matrix would be for compliance teams to work closer with their colleagues in sustainability/CSR and, as such, obtain an understanding of how the company's stakeholders view its performance on social and environmental issues.
- Culture: being strategic and holistic, integrity can play a dynamic part in shaping behaviours and reducing risk.
- Autonomy and independence are important dimensions if the Chief Integrity Officer is to operate effectively, as well as having a voice in decision-making at board level.
- The Ethics/Integrity team multiply its chances of impact and success if it is composed of members drawn from a diverse set of cultures, skills and professional backgrounds. Skillsets should include data analysis, policy, stakeholder engagement and behavioural science.

Able to work on a wide range of ethical issues – from political spending and lobbying, to human rights, controversial social issues and ensuring the company walks the line of its values and ethical culture – the Chief Integrity Officer and team can prove of invaluable assistance to CEOs and organisations overwhelmed by both the complexities and demands of an increasingly fast-paced environment. Making integrity strategic would also help make corporations remember, not forget, the 'overlooked G' in ESG. ///



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KEY TAKEAWAYS

- Integrity and ethics, if fully integrated in the Governance dimension of ESG has the potential to unlock strategic advantage for the company.
- Ethics and integrity are gaining ground in companies with the emergence of the role of Chief Integrity Officer. Leading firms are pioneering this role and giving it strategic importance, thus making it easier for managers and execs to identify instances of potential breach of ethics as well as avoiding hypocrisy.
- The role also has external impact among investors who are increasingly placing their money in businesses with solid reputations and a beneficial impact for the wider good.
- Three factors contribute to the impact of ethics: Make it aligned with strategy, make it holistic by breaking down silos, and, engage employees on ethics and integrity issues and initiatives.
- The role of CIO can be expanded to include cross-company stakes such as risk, sustainability, social and stakeholder impact. Alternatively, global integrity teams can be set up across MNCs.
- It is essential to onboard all employees – from senior management to front-line – for business integrity to become a core competency and culture in an organisation.
- Prof. Malan offers 5 recommendations to make ethics and integrity impactful:
 - Endorse integrity as strategic and ensure its alignment and coordination with the company's business strategy;
 - break down silos and cascade integrity throughout the various levels and departments in the organisation;
 - make it part of the company culture;
 - ensure that the Chief Integrity Officer has autonomy, independence a voice in decision-making at board level;
 - compose the ethics and integrity team of people from diverse backgrounds and skills sets, notably data analysis, policy, stakeholder engagement and behavioural science.

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It begins with a single commitment: if the price of economic success is equity, the cost is too much.

THE ILLUSION OF INCLUSION: HOW ARTIFICIAL INTELLIGENCE CAN CHALLENGE THE 'BUSINESS CASE' FOR DIVERSITY



Marla MacInnis, Bachelor of Commerce student and CoBS 2023 student CSR competition Winner at **Smith School of Business**, probes the question of diversity and inclusion in firms, why it pays to do so, and how AI can boost an organization's capacity to walk the talk of its DEI policy.

Orchard mason bees are efficient pollinators of fruit trees. Bumblebees, however, are larger in size, with tongues that enable them to reach nectar deep within flowering plants. Both are important pollinators, yet each possesses unique characteristics better suited to certain plant species. It is this functional diversity which helps maintain the overall health and resilience of the ecosystem. Within the realm of biology, functional diversity is not a new concept. In fact, the Greek Theophrastus likely identified the idea of functional diversity as early as 300 B.C. Since then, various studies have illustrated the resiliency that results from functionally rich ecosystems. So, why have we yet to extend this understanding to humans in an organizational context? Why are businesses just now beginning to fully appreciate the power of diverse workforces?

THE "INCLUSION CHASM"

In 2020, the murder of George Floyd catalyzed a social reckoning in North America. Many individuals sought to better understand the racial inequities and injustices that have long since plagued our history. The COVID-19 Pandemic further magnified these disparities, motivating many consumers and employees to advocate for reform. Among the primary targets? Corporate America.



There is no doubt that progress has been made. In recent years, we've witnessed many organizations investing heavily in diversity initiatives, as there is an understanding that heterogeneous, diverse workforces yield greater innovation and increased performance. Accordingly, at most large and multinational companies, diversity and inclusion have become organizational imperatives.

However, a huge gap remains between what organizations are *saying* and what they are *doing* to promote inclusion. There remains a glaring racial divide in the upper echelons of the business world and slow progress with regard to racial and gender representation. I'm calling this gap the "inclusion chasm," and proposing that it is largely the result of organizations exclusively focussing on the business case for diversity.

MOVING FROM SHAREHOLDER VALUE TO SHARED VALUE

The business case implies that there must be economic grounds to warrant the pursuit of diversity. In short, this is disconcerting – why must businesses require economic rationale to justify treating humans with equity and compassion?

The case for diversity should not be restricted to its business value or functionality. An organization's approach to diversity, equity, and inclusion (DEI) should not be solely valued for its propensity to maximize revenue and profits. Yes, research shows that diverse companies are 36% more profitable, 87% better at making decisions, and 19% generating higher innovation revenues. However, businesses shouldn't require heaps of statistics to justify their DEI initiatives. They should prioritize diversity and inclusion because it is the *moral* thing to do – not because it is the most lucrative. With this, I

challenge organizations to shift their line of questioning. Ask not: "What is the most economical thing to do?" but "What is the *right* thing to do?"

This shift in questioning is reflective of a shift in mindset – organizations must move beyond the business case of diversity and towards a moral one. It is no longer enough for organizations to assume a performative, surface-level approach by simply hiring individuals from diverse backgrounds. They cannot just 'add diversity and stir.' Rather, they must consciously work towards closing the inclusion chasm by prioritizing shared value, not shareholder value. To do so, I propose an innovative method: artificial intelligence.

INTRODUCING ARTIFICIAL INTELLIGENCE TO THE ORGANIZATIONAL ECOSYSTEM

It is impossible to dispute the advent of AI. Artificial intelligence is permeating all aspects of modern-day society, and the business landscape is no different. Since 2017, AI adoption has more than doubled, with 50% of firms using AI in some capacity. Unquestionably, artificial intelligence has become an integral part of an organization's strategy, and since achieving racial equity is one of the most important imperatives companies are faced with, AI must be integrated accordingly.

This being said, it is necessary to acknowledge the contradictory nature of this proposition. I'm encouraging businesses to put people at the centre of their organizations. Yet, I'm proposing artificial intelligence – a form of technology rather removed from the human experience. The irony is salient. However, given the rapid industrialization of AI, businesses have no choice but to navigate such a paradox.

At the risk of being out-competed, organizations must learn to leverage AI capabilities while simultaneously maintaining a human-centred approach. Reconciling such a contradiction gives rise to a vital question: "How can businesses use AI to maximize the human potential of everyone in the workplace?"

THE "A" STANDS FOR ACCOUNTABILITY

In the midst of such tumultuous economic and social times, neither consumers nor employees are content with vague platitudes for change. Organizations must hold themselves accountable for their diversity and inclusion initiatives by developing clear and robust measures to track their diversity and inclusion efforts. And while designing these inclusion metrics may be an art, measuring them is most definitely a science. Luckily, artificial intelligence offers a bias-free method of gaining such targeted and meaningful DEI data.

With the help of AI algorithms, organizations can measure disparities in pay and promotion rates, determine the diverse composition of leadership teams, compare retention rates, and analyze differences in career trajectories. Armed with this information, organizations can identify risk areas, prioritize initiatives, reallocate resources, and uncover "blind spots" that may be otherwise hidden from leadership teams. Then they can make the necessary adaptations, refining and tailoring their DEI approach accordingly.

In the context of diversity and inclusion, "what gets measured gets done." And with AI-generated data, organizations have the chance to remove any emotionality and subjectivity. This allows them to consider their DEI position objectively and rationally – you simply cannot argue with cold, hard facts. With this, organizations are forced to confront how they are performing relative to their inclusion objectives. Facing this reality head-on brings organizations one step closer to narrowing the inclusion chasm.

THE "I" STANDS FOR INCLUSION...

Increasing the overall representation of BIPOC employees is often the first step of any DEI strategy. But what is, arguably, more problematic than underrepresentation is the lived experiences of BIPOC employees. People belonging to underrepresented groups continue to face explicit and implicit forms of racism within organizations. This can manifest as "modern racism" (when people believe that BIPOC no longer face discrimination), "aversive racism" (when people change their behaviour around BIPOC – or avoid them altogether) and "microaggressions" (when people intentionally or unintentionally express a prejudiced slight). In short, diversity does not precipitate inclusion. And so, while achieving a diverse organization is hard, achieving one that is inclusive is even harder. But what if AI could be used as an inclusion diagnostic?

We've already discussed relying on AI-generated data to monitor DEI metrics. However, it is possible that artificial intelligence can provide further insight into an organization's working environment by measuring the objective level of "inclusion." To do this, AI can monitor internal working

conditions and organizational culture, ultimately determining whether day-to-day operations are anti-racist. For example, natural language processing algorithms can detect disparities in how BIPOC employees are addressed, as well as identify offensive language and microaggressions. Further, analyzing email metadata can reveal discrepancies in latency time and access to social networks. This will help organizations identify any hidden biases or covert forms of racism that may be hindering their DEI strategy. Without AI, this would be nearly impossible to detect.





...AND INSIGHT

I encourage business leaders to ask themselves a single question: Do you understand the BIPOC experience within your organization?

Approximately 75% of employees in underrepresented groups do not feel they've personally benefitted from their companies' diversity and inclusion initiatives. This reveals a severe misalignment between leadership and employee experience. Somewhere along the way, organizations' DEI initiatives are failing to deliver value to those they are intended to support. To address this disconnect, I, once again, propose artificial intelligence.

Beyond quantitative data and metrics, employee anecdotes provide a valuable way to gain insight into an organization's DEI strategy. Using sentiment analysis solutions, AI can capture employee feedback, perspectives, and moods, further segmenting this information to understand the perspectives of certain groups. This acknowledges the fact that BIPOC employees experience unique race-based stressors that are often unacknowledged in predominantly white organizations.

Further, the anonymous, automated element of AI allows employees to document their perspectives and lived experiences more honestly, without fear of retribution. This fosters a psychologically safe environment that acknowledges and welcomes feedback from *all* employees. Feeling genuinely valued, empowered, and respected involves more than just feeling included – it means having your

needs, interests, and concerns taken into account. True organizational inclusion stems from this understanding that every employee *matters*, and capturing employee perspectives with AI is one way organizations can foster this sense of worth. The intended result is an organizational culture that prioritizes humanity.

SIMPLY PART OF THE LARGER ECOSYSTEM

To be clear, I am not suggesting that companies outsource their diversity and inclusion strategies to AI. Nor am I suggesting that systemic and organizational racism can be solved by a pattern of 0s and 1s. What I *am* suggesting is that, when accompanied by inclusive leadership, strong ethics, and a racially just corporate culture, AI can be an effective way to support a strong and pervasive DEI strategy.

Artificial intelligence doesn't excuse organizations from doing the actual work. The process is only effective when accompanied by committed, dedicated, and relentless staff who engage with it. AI simply holds them accountable. It measures inclusion. It shows impact. *This* is how organizations can move beyond the diversity case and towards a moral one that is characterized by reparations and restitution.

THE DIFFERENCE BETWEEN HUMANS AND BEES

Now, I encourage readers to re-visit my initial question: Why are businesses just now beginning to fully appreciate the power of diverse workforces?

It is because we consider ourselves fundamentally different from other biological species – and rightfully so. There's a reason we do not operate the same as orchard mason bees: We are *human*, and we have the capacity to think, to feel, and to morally reason. To treat others with dignity and respect. But we also have the fallibility of succumbing to prejudice and perpetuating discrimination. This is the human condition.

And yet, despite these differences, it might be time to take a lesson from the orchard mason bees. It is time for organizations to fully embrace the functional diversity that contributes to such powerful, rich ecosystems. Now, more than ever, organizations must strive to benefit from the diverse experiences, knowledge, and skills of all people – not a select few. The path toward these racially-just workplaces will not be easy; it will be hard and uncomfortable. But it begins with a single commitment: if the price of economic success is equity, the cost is too much. ///



KEY TAKEAWAYS

- Despite recent progress, there remains a glaring racial divide in the upper echelons of the business world, with slow progress toward racial and gender representation. This is the "inclusion chasm," and it is largely the result of organizations exclusively focussing on the business case for diversity.
- Organizations must move beyond the business case of diversity and towards a moral one. It is no longer enough for organizations to value DEI for its propensity to maximize revenue and profits. Rather, they must consciously work towards closing the inclusion chasm by prioritizing shared value, not shareholder value.
- Artificial intelligence has become an integral part of an organization's strategy. Since achieving racial equity is one of the most important imperatives companies face, AI must be integrated accordingly.
- Artificial intelligence can provide bias-free, qualitative data, as well as anecdotal information. This provides organizations with valuable insight into the success of their DEI strategy.
- When accompanied by inclusive leadership, strong ethics, and a racially just corporate culture, AI can effectively support a strong and pervasive DEI strategy.



WHERE ESG DOESN'T PAY OFF



So far, the incentives built into executive compensation plans to advance ESG goals are dwarfed by the incentives to maximize share value.

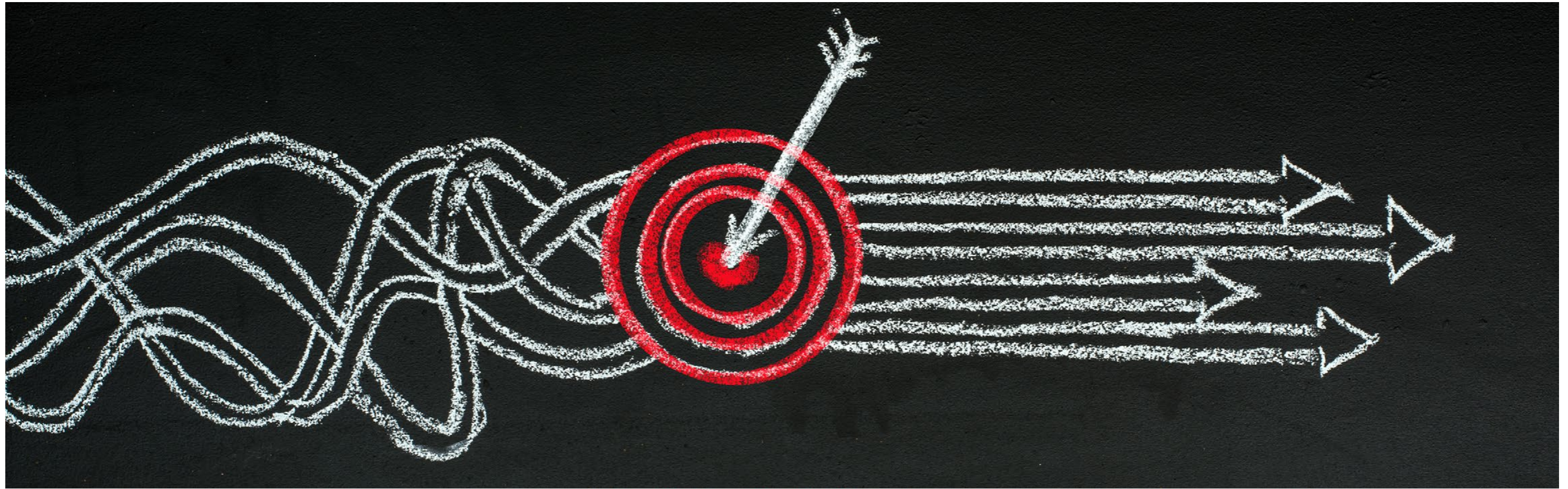


Tying executive pay to environmental or social outcomes sounds like a good idea. In practice, it's throwing good money after bad. **Pierre Chaigneau**, Associate Professor of Finance at **Smith School of Business**, explains.

By: Alan Morantz. **Related research:** [Executive Compensation with Socially Responsible Shareholders](#), Pierre Chaigneau, Nicolas Sahuguet, 2023.

The ESG (environmental, social and governance) investment framework is a much livelier topic than it really ought to be. It ought to be boring. Institutional investors, who know an ill wind when they feel one, are clearly concerned that climate change and lax corporate governance will imperil the value of their holdings. The prospect of stranded assets and Enron-level scandal can have that effect. Investors have been pushing for an independent standardized way of rating ESG that would help them compare the performance of publicly traded businesses on, say, carbon emissions or diversity targets. ESG serves that purpose, albeit as an imperfect and ever-evolving rating tool.

Yet, for some, ESG rating for investors is “a dangerous political agenda masquerading as altruism” that may constitute a hub-and-spoke (or even Chinese!) conspiracy. It’s some grotesque result of a woke agenda—at the very least a scam.



ALIGNMENT TOOL

You can only begin to understand this reaction by viewing ESG not as a tool for rating but as a tool for alignment. It is one means by which investors can align the priorities of senior management teams of companies in their portfolios with their concerns about sustainability and good governance. By trading stocks, they bake these concerns into the share price, a metric guaranteed to get any CEO's attention.

The same logic can hold for corporate boards. If ESG is an alignment tool for institutional investors, surely it can be the same for board directors. Boards have long incorporated share price into compensation packages to focus executive attention on boosting short-term profits and mitigating losses. They could certainly incorporate ESG into executive compensation to align executives on non-financial outcomes as well.

Many corporate boards agree. According to one survey, as of 2021, 73 per cent of S&P 500 companies had adopted ESG performance measures. According to another, 80 per cent of Canadian public companies are using at least one ESG factor in their executive compensation plans, with social factors being the most popular.

This type of ESG uptake is yet one more alarming proof point for conspiracists and culture warriors. Yet the use of ESG in executive compensation even worries many supportive experts. It has been suggested that, at best, it is ineffective or, at worst, it leads to unintended consequences.

There are not only the challenges of designing robust ESG metrics but also the problem of incorporating them into complex compensation packages weighed down by cross-cutting incentives.

SIGNALS FROM STOCK PRICES

Count Pierre Chaigneau among the skeptics. Chaigneau, the Commerce '77 Fellow of Finance at Smith School of Business, has extensively studied the economics of executive compensation. While he agrees that ESG reports and ratings, imperfect though they are, provide material information for investors, he says that ESG-based compensation is generally unnecessary for boards to align their executive leaders to ESG-related outcomes.

This is his thinking: If institutional investors are already making decisions on buying or selling a stock partly based on ESG ratings—which many now do—then ESG considerations are already embedded in the share price of public companies. Therefore, company boards can use share price-based incentives in their executive compensation with some confidence that ESG considerations will be part of those incentives.

"Stock price-based compensation," says Chaigneau, "is one measure that will provide incentives on the financial dimension but also on the ESG dimension." An earlier study he conducted based on game theory came to the same conclusion.

Chaigneau showed in another study that even if corporate board directors were focused solely on short-term financial returns, with no regard for longer-term ESG concerns, their executives with share price-based incentives would still pick up the signal from institutional investors that green concerns needed to be taken seriously.

In fact, his research shows that executive compensation doesn't have to be particularly sensitive to ESG ratings for executives to be motivated to make investments supportive of ESG.

GUARDING AGAINST GAMING

Some boards, of course, may still opt to incorporate ESG-related targets in their executive compensation plans. If they feel pressure to do so, Chaigneau has two pieces of advice: One, use full ESG ratings (that are based on hundreds of measures) rather than cherry-pick a handful of measures that show the company in the best light. And two, use metrics from more than one ESG rating firm. If a board is serious about outcomes and isn't just engaged in greenwashing, it must guard against executives gaming the incentives associated with ESG measures for their personal benefit.

This is not as far-fetched as you may think. The ESG ratings industry is fragmented with raters taking different approaches to the measurement, scope or weighting of data. ESG raters are transparent regarding how they derive their ratings, making it easier for executives to anticipate and game their company's numbers if they are sufficiently motivated. They

can choose to invest in certain technologies or initiatives that pump up their company's ESG rating (and potentially their compensation), even if the company's actual ESG performance doesn't improve.

A study Chaigneau conducted with Nicolas Sahuguet (HEC Montreal) showed that, if needed, it would be far better for boards to base their compensation schemes on data from multiple ESG rating firms rather than just one. Their study, which simulated various scenarios, showed that increasing the number of ratings used for managerial compensation purposes improved the social and environmental impact of the firm, and that the distorting effect of ESG ratings weakened as the number of ratings grew.

The reason for this is intuitive, says Chaigneau. "It's harder for a manager to game multiple rating methodologies than to game a single methodology."



AN INCENTIVE FOR THE TIMES?

Chaigneau's shrewd approach to mitigating one of the vulnerabilities of ESG-based compensation is a welcome contribution to a field that is still in its infancy. It is not at all certain, however, that ESG ratings will ever be an effective direct incentive for senior executives or improve the social impacts of corporate activities.

Yes, a great many organizations are adopting some form of ESG-based executive compensation. But the motive for doing so likely has more to do with keeping up appearances or responding to investor pressure rather than pursuing a deeply-felt strategic goal. As well, most ESG-based executive compensation is geared to short-term outcomes (via annual bonuses) rather than rewarding more visionary leadership (via long-term equity instruments).

The other unknown is the power of the signal. So far, the incentives built into executive compensation plans to advance ESG goals are dwarfed by the incentives to maximize share value. A recent study of companies with leadership positions in the Business Roundtable, an industry group that has embraced ESG, showed that explicit, non-discretionary ESG incentives are "economically insignificant relative to executives' incentives to maximize share value arising from shares owned outright and unvested or unexercised equity-based compensation."

Will that change going forward? And, if not, will the ESG signal that is already embedded in share prices be a sufficiently powerful incentive for executives, as Chaigneau's research suggests? Or maybe this is all a dangerous political agenda masquerading as altruism, and we'll soon wake up and see the light. ///

KEY TAKEAWAYS

- Investors have been pushing for an independent standardized way of rating ESG that would help them compare the performance of publicly traded businesses. ESG serves that purpose, albeit as an imperfect and ever-evolving rating tool.
- ESG should be viewed not as a tool for rating but rather as a tool for alignment. It is one means by which investors can align the priorities of senior management teams of companies in their portfolios with their concerns about sustainability and good governance.
- But ESG-based compensation is generally unnecessary for boards to align their executive leaders to ESG-related outcomes.
- If institutional investors are already making decisions on buying or selling a stock partly based on ESG ratings—which many now do—then ESG considerations are already embedded in the share price of public companies.
- Research shows that it would be far better for boards to base their compensation schemes on data from multiple ESG rating firms rather than just one.
- The motives for firms linking CEO pay to ESG likely has more to do with keeping up appearances or responding to investor pressure rather than pursuing a deeply-felt strategic goal.
- Most ESG-based executive compensation is geared to short-term outcomes (via annual bonuses) rather than rewarding more visionary leadership (via long-term equity instruments).

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Today, if asked to imagine how daily life would be without electricity, it would not take more than a second for the average person to realize how utterly unpleasant it would be.

POWERING CHANGE: ELECTRICITY, TRANSITION AND DEVELOPMENT



Rafael Echechipia Fontana, BBA student and Winner in the CoBS 2023 Student CSR Article Competition at **FGV-EAESP**, contends that access

to electricity and energy transition cannot be dealt with by purely developed economies alone – and that increased social and economic development in the Global South will provide a much-needed boost towards adopting greener energies.

Data from the latest Energy Progress Report carried out by the World Bank Group in 2020 revealed that electricity infrastructure has yet to reach 9.6% of the world's population. In other words, roughly 733 million people live without proper access to lighting, heating, refrigeration or general electronics, especially in Sub-Saharan Africa and South Asia. Aside from the clear human and economic development issues, electrification also plays a huge role in climate change, and thus is a high-priority topic among international forums, having earned its very own SDG. However, as most of the developed countries begin to raise the discussion and act towards an energy transition to cleaner sources, part of the world is still left behind.

A CENTURY OF ELECTRICITY

More than a century ago, society relied heavily on labor- and pollution-intensive energy sources, such as coal to power machines and firewood for domestic heating. However, by the end of 1930, electricity had already surpassed other sources

and quickly became the standard in households of the Global North (O'Connor, 2010). This was only natural, as the reason for the rapid growth lies in its compatibility with a wide range of appliances, the elimination of manual labor by its users, as well as the ability to be distributed over long distances. As technology continued to evolve, it would only take a switch or a plug to allow access to an entire universe of devices.

Today, if asked to imagine how daily life would be without electricity, it would not take more than a second for the average person in a developed or developing country to realize how utterly unpleasant it would be. After all, the longest we have probably gone without electricity was during an occasional but newsworthy power outage. Nonetheless, it is often overlooked that electricity is also what enables much of the infrastructure needed for healthcare, education, transportation, communication and adequate housing. Simply put, by any modern criteria, electricity is a requirement for meeting decent living standards.

ACCESS TO ELECTRICITY: A HUMAN RIGHT?

We are then left with a question to which there is no simple answer. If electric power is such a basic necessity, then why is it still not considered a human right? Even without much literature concerning the topic, two main positions are defended by researchers.

First, there is the stand on electricity as a derived human right, which is supported by the claim that something may be considered a right if essential to fulfill the basic right for a dignified life (Donnelly, 2013). This stand leans on the proposition that there are not many states which would be able to grant its citizens minimum living conditions without the use of electric power. Nonetheless, this view is often criticized because seeing electricity as universal for every society is considered too broad. By this conception, it would also have to include almost everything favorable to different lifestyles, dimming the spotlight of truly universal needs.

The second viewpoint is that there is no obvious way to perceive it as a right simply by comparison to other basic rights. For instance, there would be no basis to justify placing electricity on equal footing to water as it is possible to survive without the former but certainly not the latter (Löfquist, 2019). However, still on the example of water, there was once a time when access to water and sanitation was not considered a human right — a time as recent as 2010. So there may certainly be hope for the elevation of electricity to the status of human right, but hardly in the near future.



POWERING DEVELOPMENT

Even if not considered a human right, it is no secret that access to power plays a crucial role in economic growth, for any industry or service-based economy. In this sense, energy poverty, defined as a lack of access to modern (and comparably cleaner) energy sources, is a serious ball and chain to developing countries (Ahmad et al, 2021). However, the correlation between electric power and growth is not so clear cut.

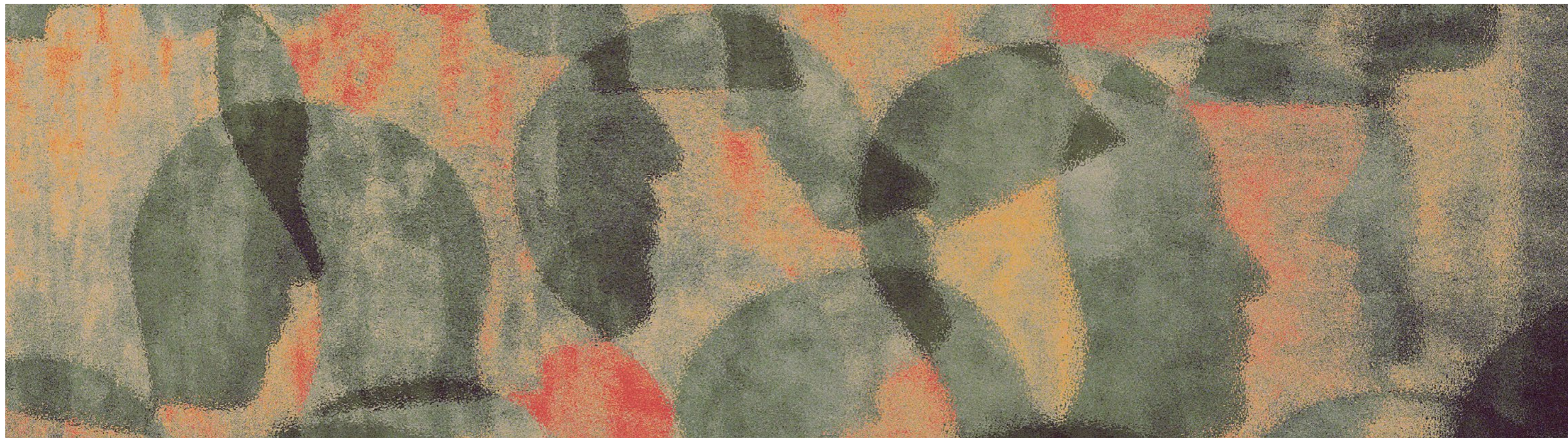
One interesting perspective to analyze this relationship is the notion of "development as freedom" conceived by Amartya Sen, Indian economist and Nobel Prize winner. Under his conception, development should be seen as the process of expansion of a person's freedoms, which includes economic decisions, political choices, and diversity of opportunities. In other words, the notion of "development" should extend beyond traditional measures such as GDP growth, industrialization, or average household income.

Examining this viewpoint allows us to understand access to power, and in particular electricity, as an essential tool for enabling national and individual development. Not only does its access address traditional economic activities like working longer hours with greater efficiency, but it also provides opportunities for individual development and better living conditions through access to amenities, comfort and leisure. Thus, power can play a leading role in a country's growth if the necessary efforts and investments in infrastructure are made for its expansion.

THE CURRENT GLOBAL ENERGY SYSTEM: HIDING IN PLAIN SIGHT

The existing energy system and the rationale behind it has remained largely frozen in time since it was popularized nearly a century ago. As a result, the existing logic is mostly market-based and fails to properly consider the environmental and social externalities associated, shaping to this day the patterns of electricity usage and expansion (O'Connor, 2010). For instance, much of the first energy grid infrastructures were financed by companies merely seeking to sell power to a larger customer base and the areas deemed unprofitable were left to wait for government subsidies — or simply forgotten.

But how have we as a society allowed such a system to operate for so long virtually unchanged? While there is no single reason, the key culprit may be hiding in plain sight. Electricity is by nature invisible, meaning that its end users are allowed to stay alienated to its production and distribution processes (Chomsky, 2022). Hardly any thought is put by us, the end consumers, on the implications of the oil or natural gas burned to power our air conditioners or phone chargers. Even if we are aware and satisfied with our country's public policy on coal mining labor and environmental practices, power plants may just as easily import foreign fuel from dubious origins.



From a managerial perspective, energy and utility companies still operate under traditional shady practices, like the anti-climate change lobbying in the US (Meng & Rode, 2019). And there are still insufficient incentives to adopt ESG-friendly practices like executive remuneration tied to decarbonization or greater transparency on outsourcing policies (Energy and Policy Institute, 2020). In addition, the transmission and distribution segments of the industry are markets with high entry costs and need for economies of scale, which spell natural monopolies. These structures, when operating under privatization in countries or regions with weak local regulatory agencies, will often lead to unfavorable competitive outcomes (OECD, 2022). This susceptibility to market manipulation hurts both end users, who have to deal with higher costs, and electricity generation companies that become hostage to such operators. And that begs the question, in such a rigged game, who will pay the price?

ENERGY SYSTEMS AND CLIMATE ACTION

When energy systems are observed through a climate change lens, two key roles stand out. Up first are the different sources it can be obtained from, that are often classified as low-carbon, like solar, wind and hydropower; or high-carbon, like coal, oil and natural gas. Historically, the world has primarily relied on finite resources. As of 2021, more than 80% of the world's power is supplied by carbon intensive processes, which correspond to approximately 3/4 of greenhouse gas emissions.

An increase in demand driven by the quick growth of the global population will further escalate its externalities. Some consequences are relatively well known to the wider public such as temperature variation, rise of sea levels along with the prominence of extreme weather events. However, there are entire subsets of costs easily forgotten, including health-related increases in cases of respiratory diseases linked to air pollution or devastation of ecosystems for coal mining or oil extraction infrastructures.

From a different perspective, the second key role is the inefficiency and overconsumption associated with energy use. Emissions are propelled by outdated technologies – think of the incandescent versus LED light bulb debate – and by lack of consumer austerity, often motivated by lack of information (Cao, 2003). When discussing climate change, electricity itself is not the issue so much as how it is produced, distributed and consumed. With this put, a shift towards renewable sources seems like the only path forward.

ENERGY TRANSITION: NO ONE LEFT IN THE DARK

At its core, the energy transition widely discussed aims to diminish the world's dependency on finite fossil-based energy, replacing it with a variety of renewable and cleaner sources. Alarming, it is now less of a question of “if” than it is of “when”. The 2018 IPCC report on global warming revealed that as a basic scenario, by 2050, renewables must make up 70% to 85% of the world's electricity. Furthermore, it is reasonable to assume that the more the transition is delayed, the bigger the irreversible environmental consequences and the slower the global financial market's adaptation.

Transforming the existing matrix will require considerable efforts, both in disinvestments in existing production methods, and in building new and innovative infrastructures appropriate for different kinds of renewable sources. Alongside a valuable chance of aligning long-term environmental targets and economic development, we are also faced with difficult changes regarding how and by whom the industry is run (Cantarero, 2020). So maybe it is time to reshape the energy playing field to better fit concepts of sustainable development.

That said, the star players are certainly the developing countries. Their expected energy demand growth and ability to avoid total fossil-fuel dependency by halting its still small investment in this type of infrastructure hold a unique potential for change. However, we cannot forget about countries with extremely limited access to power and electric energy. While it is not fair to demonize these nations if their only option to expand access is by using carbon intensive methods, there is no silver bullet. As Ngai (2012) puts it, in such cases, the right to energy should ideally be the right to renewable energy to the greatest extent possible. With such a framework in sight, the energy transition as a global process may be seen and understood locally according to the reality of each country.

THE FUTURE AHEAD

As our deadlines for climate action slowly but surely approach, new initiatives have risen up to the challenge. Initiatives that stimulate competition and innovation in sectors such as the electricity free market are already becoming popular. Alternative systems that decentralize generation and favor renewables such as the distributed generation technologies are also in the forefront of discussion. However, the base scenario still remains.

In essence, access to electricity and energy transition are topics that cannot be dealt with from a purely developed country's perspective. Economic and social development in the Global South will necessarily translate into an increased energy demand, where renewables represent great opportunities but face even greater obstacles. So, as we hope governments and businesses are able to make the shift in time, it is probably best to start thinking about the universe behind each flip of a switch. ///

KEY TAKEAWAYS

- ❑ Electricity (and power in a broader sense) is crucial for a type of development that considers economic growth at an equal footing to individual opportunities and improvement of quality of life. However, it has yet to achieve the status of human right.
- ❑ The current energy system is riddled with dubious business practices and an outdated industry model which blatantly disregards environmental and social externalities.
- ❑ We cannot tackle the pressing energy transition without understanding the role of developing countries and without considering those who have a serious electricity access default. There is no hope for a transition without compromises.



ESG AND THE WINE SECTOR: TURNING VINICULTURE GRAPES FROM SOUR TO SWEET



Respect for fundamental human rights is an essential part of sustainable and inclusive economic development.



Professor **Ligia Costa, FGV-EAESP**, Director of the **FGV Center for Ethics, Transparency, Integrity and Compliance Studies**, explores the argument for adopting ESG concepts to turnaround human rights issues in the Brazilian wine sector despite the presence of existing codes of ethics.

Originally published in Portuguese in the journal *Jota*. With acknowledgments to Ligia Maura Costa and Adrian Zicari.

There was a recent discovery of a subcontractor from Vinícola Aurora, Cooperativa Garibaldi and Salton using labour analogous to slavery in the production of grapes, and apparently without their knowledge. In Bento Gonçalves, a Rio Grande do Sul city with just over one hundred thousand inhabitants, workers were kept in private prison, in inhuman and degrading conditions, with no access to drinking water, bathrooms or rest, and were forced to work more than 15 hours a day, seven days a week, without the right to a minimum wage or even a formal labour and not even a formal work contract.

Are we facing yet another chapter in the history of human rights violations in Brazil? The 2030 Agenda, adopted by the UN in 2015, encourages governments and companies to adopt concrete measures to combat slave labour, in all its forms. How can wineries regain legitimacy after a human rights scandal? Beyond the grapes, bitter with the sweat of labour analogous to slavery, and the hiring of the same subcontractor by the three wineries, what else do they have in common?



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SWEET AND SOUR, WINE AND WRATH

The role of companies today is more complex than in the past. A strong sense of corporate social responsibility is expected in order to respond to the legitimate expectations of society. The social responsibility of wineries goes beyond the production of goods and the generation of profits for shareholders, on the model of the management primer of former CEO Jack Welch. Good working conditions and remuneration are decisive factors in characterising a "good company to work for". The acronym ESG, in vogue in the business world, for the abbreviation in English of environmental, social and governance (ESG), seems that for the three wineries nothing more than a "good alphabet soup to have on the wall". The 'S' in ESG stands for social aspects, including labour and human rights, as well as the company's relationship with stakeholders and the communities in which it carries out its activities.

All three wineries have social responsibility codes of conduct available on their respective websites and condemn forced labour or conditions analogous to slavery. The Code of Ethics and Conduct of Vinícola Aurora states that "Inhuman and inhumane and degrading working conditions are not accepted in any way." The understanding of the Garibaldi's Culture Code: "Health, welfare and safety must always be taken into consideration in all personal interactions and decisions taken, not tolerated by any of the stakeholders of the cooperative, any practices that exploit forced, compulsory, child labour or promote human trafficking are not tolerated by any of the cooperative's stakeholders.

Salton, one of the wineries signed in 2022 to the UN Global Compact Brazil Network, a commendable initiative of the United Nations to mobilize the business community to adopt and promote best business practices.

A GAP BETWEEN TALKING AND WALKING THE ESG TALK

Why have wineries not respected the ESG conduct criteria set forth in their own codes of conduct? What led them to forget these criteria? Why did hiring the same outsourcer go against the provisions of their respective codes of conduct? Does the disregard for social and corporate governance aspects constitute a risk that should be accepted for the sake of increasing profitability? What is the common pattern among these wineries that led them to produce such bitter grapes? The answer is simple: failure in corporate governance and disrespect for human and social rights, the letters "G" and "S" of ESG.

Evidence seems to show that there is a wide gap between what wineries claim in their social responsibility codes of conduct and their actual day-to-day business behaviour. After the scandal of the third-party supplier using slave labour and which exposed Vinícola Aurora, Cooperativa Garibaldi and Salton, what is the legitimacy of the of their codes of conduct? What is the credibility of their statements to the society? How much trust should consumers have in the advertising of their products?

The 2030 Agenda includes a set of 17 Sustainable Development Goals (SDGs), which encourage companies to make commitments to eradicate slave labour and other forms of forced labour by 2030. In particular, SDG 8 – Decent Work and Economic Growth – states in target 8.7. that companies should: "Take immediate and effective measures to eradicate forced labour, end modern slavery and trafficking of people [...]". On the other hand, SDG 12 - Sustainable Consumption and Production says in target 12.6 that it is "Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle".

It is clear that companies are responsible for their suppliers to implement sustainable practices in all aspects along the production chain. Respect for fundamental human rights is an essential part of sustainable and inclusive economic development. The Salton Family, in "Thriving Relationships", reports that to be proactive in the development of our employees and communities, engage our supplier communities, engage our suppliers in the ESG agenda and encourage responsible consumption." However, rather than highlighting in their social responsibility codes of conduct what they will do by 2030, as in the film Back to the Future, wineries should concentrate on what they are doing today and focus on the concrete and immediate response to the serious problem they face.

INTEGRATION OF ESG CONCEPTS WILL LEAD TO BEHAVIOURAL CHANGE

Wineries must adopt a new organizational structure, modern risk mapping procedures, monitoring and control, review of deviant norms, improvements in corporate governance, and, in case of proven serious violation, immediately remove the culprits, whoever they may be. An integration of ESG concepts into the day-to-day governance processes of wineries will lead to behavioural changes in these organisations. In addition, they must cooperate with the authorities to resolve the situation as quickly as possible, pay fair compensation to workers, and create a fund that guarantees the payment of back wages, as well as all the benefits provided by law.

The application of Article 243 of the Brazilian Federal Constitution, which provides for the expropriation of land in cases of slave labour in favour of agrarian reform, is a measure of justice, in case the wineries are repeat offenders of human rights violations. Over several years, the Fazenda Brasil Verde in Marabá and the Fazenda Santa Brígida in Uruará, both in Pará have been the target of various labour inspections, revealing the recurring practice of labour analogous to slavery. The two farms were expropriated, as provided in the Federal Constitution. Let us hope that this does not happen with the wineries and that they have learned their lesson. Now, if this is not the case, let the law be applied, because the law is for everyone.

Society has a responsibility to demand that wineries value human dignity above profit and dignity above profit and to reject any and all practices involving forced labour or conditions analogous to slavery. ///



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KEY TAKEAWAYS

- A recent case of a subcontractor in the Brazilian wine industry pointed to labour being analogous to slavery in the production of grapes: workers were kept in private prison, in inhuman and degrading conditions, with no access to drinking water, bathrooms or rest, and were forced to work more than 15 hours a day, seven days a week, without the right to a minimum wage or even a formal labour and not even a formal work contract.
- All three wineries working with that subcontractor have social responsibility codes of conduct available on their respective websites and condemn forced labour or conditions analogous to slavery and one belongs to the UN Global Compact Brazil Network.
- But evidence seems to show that there is a wide gap between what wineries claim in their social responsibility codes of conduct and their actual day-to-day business behaviour.
- The 2030 UN Agenda includes 17 Sustainable Development Goals (SDGs), which encourage companies to make commitments to eradicate slave labour and other forms of forced labour by 2030.
- It is clear that companies are responsible for their suppliers to implement sustainable practices in all aspects along the production chain. Respect for fundamental human rights is an essential part of sustainable and inclusive economic development.
- Wineries must adopt a new organizational structure, modern risk mapping procedures, monitoring and control, review of deviant norms, improvements in corporate governance, and, in case of proven serious violation, immediately remove the culprits, whoever they may be.
- An integration of ESG concepts into the day-to-day governance processes of wineries will lead to behavioural changes. They must cooperate with the authorities to resolve the situation as quickly as possible, pay fair compensation to workers, and create a fund that guarantees the payment of back wages, as well as all the benefits provided by law.
- The application of Article 243 of the Brazilian Federal Constitution, which provides for the expropriation of land in cases of slave labour in favour of agrarian reform, is a measure of justice, in case the wineries are repeat offenders of human rights violations.
- Society has a responsibility to demand that wineries value human dignity above profit and dignity above profit and to reject any and all practices involving forced labour or conditions analogous to slavery.



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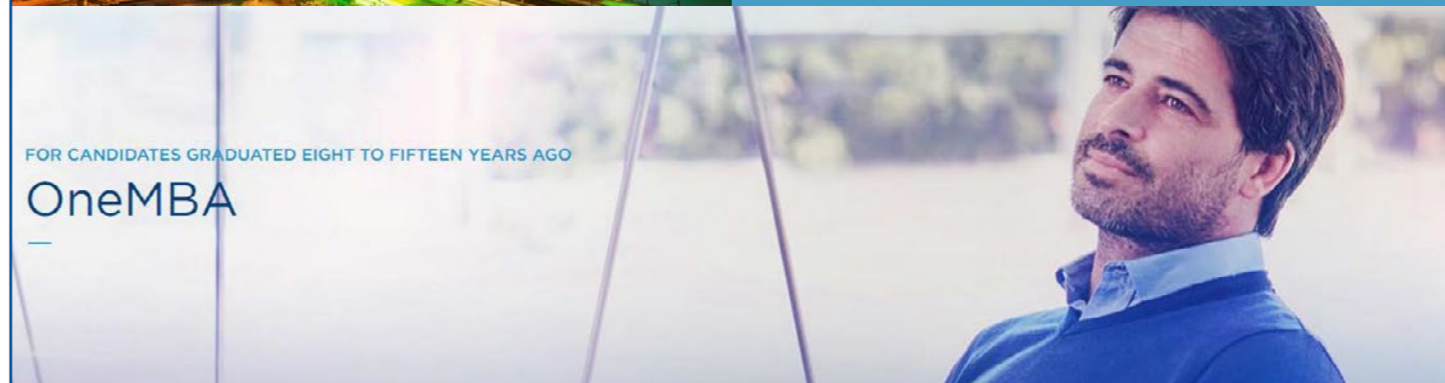


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THE FUTURE OF WORK IS DIGITAL AND GREEN



Both engineers and business professionals are impacted by how the climate crisis and technology will drive change and a re-think of the future of work.



Digital transformation is revolutionizing manufacturing, but what does this mean for the industry's workers?

Dimitrios Spiliopoulos, IE Business School, highlights the key skills engineers and business professionals in manufacturing will need moving forward.

The Future of Work Is Digital and Green. With kind acknowledgements to Kerry Parke. First published on [IE Insights](#).

Manufacturing is an industry that will be fully digital in the coming years, while simultaneously approaching sustainability. There are already industrial machines connected to the internet by design. In addition, new sensors have been added to old machines so that we can better understand their performance and health. Industrial IoT (IIoT), smart factories, and smart manufacturing will eventually become a standard of the industry.

What all this means is that professionals in manufacturing will soon need to deal with huge amounts of data that will empower them to make better decisions. In this fully connected industrial landscape, we can also add robots (especially collaborative robots) to the list, as well as 3d printing, VR-AR, and the use of artificial intelligence across all use cases and machines. In fact, the World Economic Forum predicted that by 2030, 50% of jobs will be changed by automation – but only 5% eliminated.



These new advanced technologies and automation require new skills for engineers and business professionals in the industrial sector, such as manufacturing, oil and gas, and pharmaceuticals. While they face their unique challenges and opportunities, both engineers and business professionals are impacted by how the climate crisis will drive change and a re-think of the future of work. In both cases, the future demands digital and sustainability skills combined with an understanding of change management.

FUTURE OF WORK FOR ENGINEERS:

1. Digital skills

Engineers will be expected to have, at least, a basic, holistic knowledge of digital technologies, such as software, big data, electronics, connectivity, and, importantly, how they all come together. An understanding of technologies like VR-AR, AI, Digital Twins, and anything related to IoT data and visualization will also be a basic requirement. For example, machines in factories or products produced in a factory are often connected and include software (Machine As A Service, leveraging IoT-AI), which means that engineers must understand smart machines and be comfortable using VR-AR or Digital Twins to monitor them (or at least dashboards on a screen). Furthermore, a key skill for productivity and harmony on the shop floor will be the ability to work with different types of robots and to coach others on how to do so. Already traditional mechanical manufacturers are racing to become

software companies, and changing their business model and services – what they need from their engineers is therefore changing too.

2. Storytelling

The amount of data that engineers and other technical staff will encounter on a daily basis is set to increase exponentially. Thus, the ability to package this information into a compelling and understandable narrative will be imperative. This storytelling skill, based on data insights, is very important so that engineers can drive action within the organization by adequately communicating their findings and ideas. Beautiful dashboards and nice graphs will be (in fact already are) available, but how that information is translated will be what determines success.

3. Sustainability Mindset

Sustainability is already top of mind for CEOs, as it is for many workers today (particularly younger employees.) This will only increase as our climate problems worsen and the pressure from governments, investors, and consumers becomes more serious. Thus, engineers will need to consider – in every decision they make – how they can make their products and processes more sustainable, use fewer resources, and produce less waste and harm. From production and supply chain to packaging and product lifetime, engineers must understand the ecological and social impact of their decisions.

4. Business Mindset

In a few years, the technology stack will be easier to use than it is today. This means that engineers will need to have a business mindset to understand how the combination of technologies can solve problems, what it means for users, and how it can generate value without harming our planet. The availability of exciting technologies like IoT, robots, 5G, 3D printers, VR-AR, drones, etc. will be a temptation for tech-savvy engineers to dive into, but it is a business mindset that will guide them to their most important ideas.

5. Learn and Be Curious

A growth mindset is essential for continuous learning. It's fair to assume that new professions and requirements will arise every few years and that companies will frequently repurpose their staff. Engineers will need to be curious about new technologies and new techniques so that they can continually modernize the way they deliver their responsibilities. Amazon's leadership principle of Learn and Be Curious is an excellent example of how organizations and professionals can put curiosity front and center in an effort to identify and adjust to new opportunities and challenges.

In addition, a growth mindset helps employees and entrepreneurs repurpose themselves and proactively create roles that match their interests, whether that is with their current employer or at another organization. This helps professionals not only remain relevant but do work that interests them and provides a sense of purpose.

THE FUTURE OF WORK FOR BUSINESS PROFESSIONALS IN INDUSTRIAL SECTORS:

1. Digital Awareness

It doesn't matter the department – whether it be marketing or sales, supply chain or finance – modern business professionals will need digital awareness. This entails having a firm grasp on all digital technologies (e.g. IoT, AI, Edge, VR-AR, 3d printing, Digital Twins), the potential use cases of these technologies in a specific sector, the potential challenges, and an understanding of how to adopt these technologies and use them in business. These topics will no longer be the sole responsibility of the technical departments of the organization.

Business leaders must own the agenda and work alongside their technical peers in order to make decisions. For example, if a manufacturer decides to launch a new smart connected machine (car, machinery, power tools, etc.), the sales and marketing teams must understand the value of the data from the machines, be comfortable with explaining the benefits and challenges, and how the technology can improve the processes and enable new services and business models.



2. Industry Knowledge

Many companies are already verticalizing their product offerings, making sales teams and marketing messaging as relevant as possible for specific sectors. Despite the fact that skills are transferable from one sector to another, future companies will value industry specialists more than they do today. Digital transformation, combined with regulations, climate change, and competition from across the value chain may in the future require very deep industry expertise in order to deal with all the complexity of each sector (or even better sub-sector like automotive, chemicals, FMCG, pharma, etc.). Again, upskilling and keeping up with the trends of the industry will become increasingly important. Business professionals will also need to be prepared to work across industries – the borders have already started to merge, for example between energy and automotive, insurance and smart machinery. This means that while you are specialized in one industry, it's important to keep an eye on what's happening in other industries as they may directly affect yours or simply provide an opportunity to encounter new best practices.

3. Sustainability Mindset

In a similar vein to what has been prescribed for engineers, modern business professionals will need to find ways to reduce the impact of their decisions on our planet and society. Net zero, UN ESG, circular economy, Industry 5.0, and other green laws and trends will need to be constantly addressed by business leaders – and it will not be about doing less bad but about doing more good for our planet and society, all while keeping a strong commercial performance. For example, when product managers and marketers launch a new product, they will need to align with the engineers in the factory about the resources used in production and for consumption, the product lifetime, and even the product's end and how it can be repurposed or recycled. The use of advanced technologies and having a sustainability mindset will soon be a must. Products as a Service are great examples of this model where a manufacturer is responsible in ensuring (using IoT and AI) limited waste during production, extending the lifetime of the product, and, in the end, having full ownership to recycle it or repurpose it. Needless to say, a strong sustainability mindset will help business leaders attract and retain good talent in the organization as well as win new customers (B2C, B2B) who are becoming more sustainability-savvy year by year.

4. Change Management

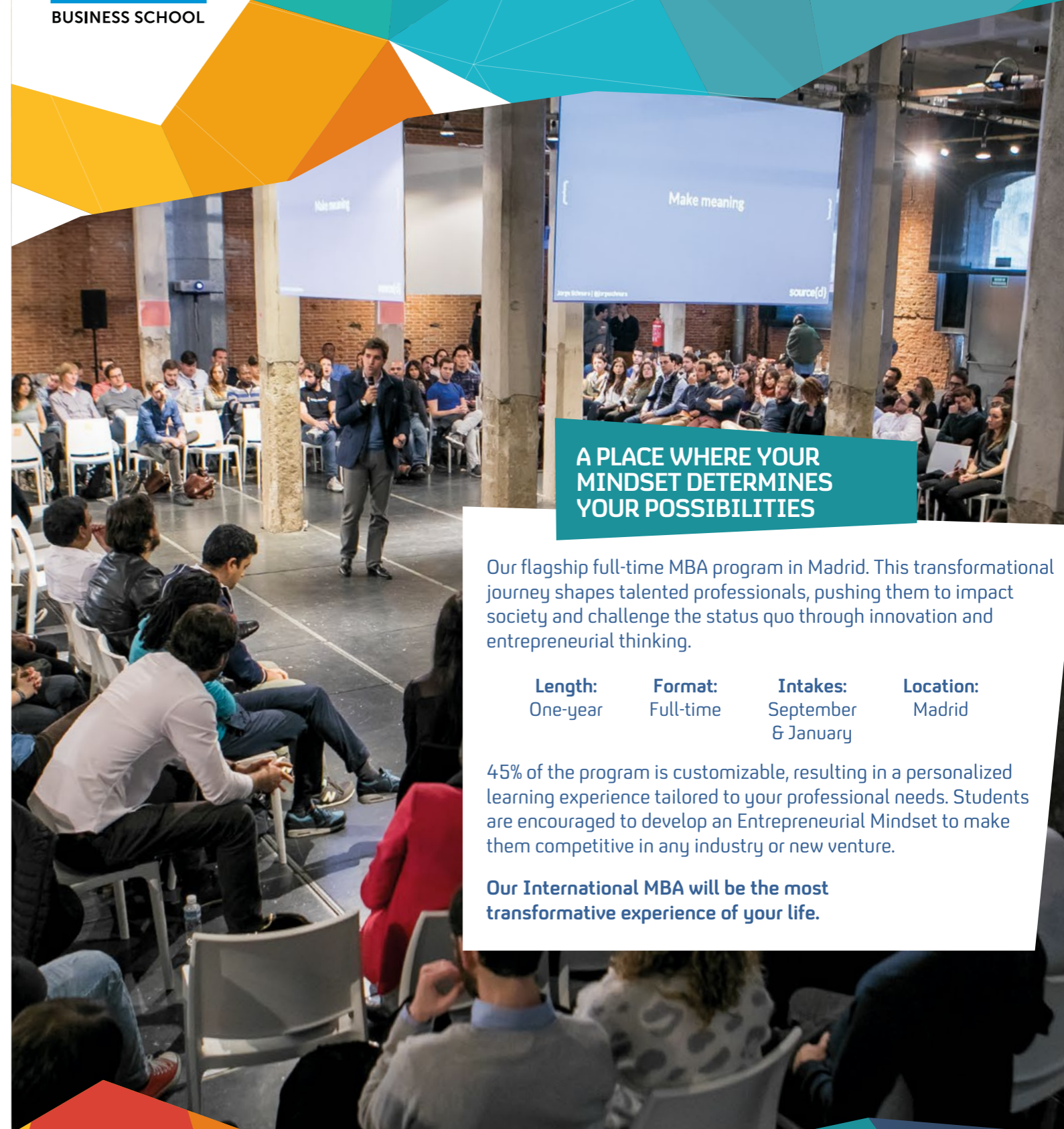
Industrial companies will go through significant changes as they become more sustainable and competitive. Digital transformation and sustainability transformation will become one – and this will require changes across processes, culture, organization structure, and even changes in suppliers and types of customers. Modern business professionals must learn to manage and drive change in a programmatic way and with empathy. Deploying new technologies and promoting green initiatives will simply not be enough (as has already been shown in the last few years).

Taking everyone on the journey of change, with good communication, empathy, training, and re-design of processes and tasks will allow companies to go through a 'smoother' transition. Change management also has another meaning. The changes in market, organization, life, and industry, are opportunities for individuals to grow and succeed. In the coming years, managing these changes will enable organizations to experiment and find the best fit for the organization, their employees, and their customer in a digital and sustainable world. Thus, professionals will need to be ready for change, to learn new things, and be open to new roles (re-purposing) that might not even exist at present.

Overall, the future of work requires digital and sustainability knowledge and skills. They are not separate, however, but merged into one. This new mindset and knowledge is what will prepare engineers and business professionals for what comes. It will make them future fit. ///

KEY TAKEAWAYS

- Manufacturing is an industry that will be fully digital in the coming years, while simultaneously approaching sustainability.
- on require new skills for engineers and business professionals in the industrial sector, such as manufacturing, oil and gas, and pharmaceuticals.
- They face unique challenges and opportunities, and both engineers and business professionals are impacted by how the climate crisis will drive change and a re-think of the future of work.
- In both cases, the future demands digital and sustainability skills combined with an understanding of change management.
- Future required skills are: Digital awareness, industry knowledge, storytelling, sustainability mindset, business mindset, learn and be curious, change management.



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INTEGRATING GENDER WHEN DEVELOPING LARGE INFRASTRUCTURE PROJECTS



Gender issues have recently become central to the expectations of financial institutions and development agencies.



Gender issues have recently become central to the expectations of financial institutions and development agencies. In the wake of reflections on human rights, analysing development projects around gender issues makes it possible to strengthen the consideration of women in the design and territorial insertion of a project assisting local development. **Ksapa** Advise Team Consultant **Sona Kessaria** provides a blueprint.

With kind acknowledgments to Ksapa, first published via the [Ksapa blog](#). **Related work:** Ksapa briefing paper – a six-step guide *Embedding a robust gender perspective in infrastructure development*.

1. “INTEGRATION OF GENDER ISSUES”: WHAT DOES IT MEAN?

Definition of gender

Gender, as defined by UN Women, refers to the socio-cultural construction of male and female roles and relationships. While “sex” refers to biological characteristics, being born male or female, gender describes culturally assimilated and instilled social functions.



Member States universally agree on the gender equality and women empowerment mandate. It encompasses all areas of peace, development and human rights. The mandates on gender equality derive from the United Nations Charter, which unequivocally reaffirmed the equal rights of men and women. Other international charters include a similar mandate, notably the African Charter on Human and Peoples' Rights of 1981. It recalls in its article 18 that *"the State has the duty to ensure the elimination of all discrimination against women and to ensure the protection of the rights of women and the child as stipulated in international declarations and conventions"*.

Gender mainstreaming from a development perspective

The [agreed conclusions of ECOSOC \(1997\)](#) defined gender mainstreaming as: "The process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. It is a strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring, and evaluation of policies and programmes in all political, economic and societal spheres. This ensures that women and men benefit equally and inequality is not perpetuated. The ultimate goal is to achieve gender equality."

As such, gender equality is the overarching and long-term development goal. Meanwhile, gender mainstreaming is a set of specific, strategic approaches as well as technical and institutional processes adopted to achieve that goal. Gender mainstreaming integrates gender equality in national public and private organizations, in central or local policies, and in services and sectoral programmes. In the long run, it aims to transform discriminatory social institutions, laws, cultural norms and community practices, such as those limiting women's access to property rights or restricting their access to public space.

2. A FRAMEWORK STILL IN DEVELOPMENT

Expectations in a less standardised framework

Gender issues have recently become central to the expectations of financial institutions and development agencies. The socio-environmental clauses that condition financing opportunities incorporate the need to pay specific attention to gender. Does the project have an impact on the relationship between men and women? If so, how? How can the project be a source of opportunities for gender relations in the territory?

But the gender issue is still poorly covered by international reference frameworks. Gender management is not included in the International Finance Corporation (IFC) performance standards, for example. This can be explained, among other things, by the complexity of the subject, with situations often very different depending on the location, each with its own challenges.

The first approaches to reducing gaps

The World Bank has nevertheless initiated a first work on this issue. It introduces a conceptual framework that aims to address four key objectives for the promotion of gender equality and for overcoming the opportunity gaps between men and women in all territories and projects:

- **Improving human endowment gaps.** Reduce health, education and social-protection gaps between men and women.
- **Removing constraints for more and better jobs.** Increase women's participation in the labor force, enhance income-earning opportunities, and improve access to key productive assets.
- **Removing barriers to women's ownership and control of assets.** Improve women's access to land, housing and technology.
- **Enhancing women's voice and agency and engaging men and boys.** Include women in decision making on service delivery; reduce gender-based violence and its impact in conflict situations.

International organisations regularly share good practices from projects financed in several types of sectors. These make it possible to identify specific considerations for the issues at stake in a given project.

3. GENDER AS A CRITERION OF VULNERABILITY

Despite a robust institutional framework, being a woman in many territories remains a barrier. This is especially true in more remote territories. Generally, customary law predominates over national law, penalising women who do not benefit from public benefits.

In general, and particularly in the region where Ksapa worked, the female population remains the most deprived. They experience particular difficulties recognised by international organisations and national bodies. Indeed, women over 16 years of age, due to their traditional role in society, their responsibilities within their households, their lack of secure access to land, their high representation in informal activities, etc., present specific vulnerabilities that could make them less able to resist or adapt to the impacts of the resettlement planned by the project. Even more so, households with no social safety net are the women with dependent children affected by the dam project.

4. ACCESS TO LAND, MORE DIFFICULT FOR WOMEN THAN MEN

A simple illustration of inequality through the use of customary law is access to land and access to property. National law provides for equal access to land for both men and women. But customary law implies that in the context of population displacement or inheritance, it is not women (mothers, wives, sisters, daughters) but men (fathers, husbands, brothers, sons) who should have priority to benefit from these new titles.

How can this issue be addressed in the context of resettlement of populations with food-producing activities?

Here are a few illustrative examples of actions taken in the resettlement plan:

- **Organise the census mission well.** Ensuring to properly register who holds the property rights and who is in charge of the agricultural activity (often, the woman is in charge of the cropping activities for example);
- **Organise specific consultations for women and men.** This allows both groups to discuss freely their concerns about future resettlement;
- **Ensure that the men and women impacted by this project have legal documents.** If not, offer specific support (socio-legal assistance);
- **Organise a move (in this case of resettlement) properly.** Women and children should be able to continue their activities without being excessively affected by the move. This means aligning with the school calendar, providing specific assistance etc.

5. WOMEN, AN ASSET FOR TERRITORIAL DEVELOPMENT

Some stakeholders do not understand why some actions are specifically dedicated to women. They would suggest to more generally identify all vulnerable populations (young people, senior citizens, people with disabilities...), including women.

We must therefore demonstrate that paying special attention to women can bring systemic benefits, with a territorial trickle-down effect that goes well beyond them.

The dam project was an opportunity to strengthen the rural sector. Relevant stakeholders (through a public and private partnership) built a skills development program that included a specific plan for women. In areas where women are heavily dependent on their husbands' income, they have been able to develop their own activity, which has led to a diversification of income within the same household, with positive impacts on topics such as: access to education, access to health, etc.





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CONCLUSION

Of course, the examples presented here are those identified in the context of the construction of a dam in a predominantly agricultural region, far from large agglomerations. The issues can vary depending on the project and the location.

But the objective remains the same. Without concerted efforts to take women's needs into account, we can miss critical issues that make all the difference in the territories. We can lose an opportunity for a public windfall to ensure that it has positive spin-offs that take into account... 50% of the local population! ///

KEY TAKEAWAYS

- ❑ The mandates on gender equality derive from the United Nations Charter, which unequivocally reaffirmed the equal rights of men and women.
- ❑ Gender equality is the overarching and long-term development goal. Meanwhile, gender mainstreaming is a set of specific, strategic approaches as well as technical and institutional processes adopted to achieve that goal.
- ❑ The gender issue is still poorly covered by international reference frameworks. This can be explained, among other things, by the complexity of the subject, with situations often very different depending on the location, each with its own challenges.
- ❑ But the World Bank has initiated a conceptual framework that aims to address four key objectives for the promotion of gender equality and for overcoming the opportunity gaps between men and women in all territories and projects: Improving human endowment gaps. Removing constraints for more and better jobs. Removing barriers to women's ownership and control of assets. Enhancing women's voice and agency and engaging men and boys.
- ❑ Despite a robust institutional framework, being a woman in many territories remains a barrier. This is especially true in more remote territories. Generally, customary law predominates over national law, penalising women who do not benefit from public benefits.
- ❑ A simple illustration of inequality through the use of customary law is access to land and access to property. National law provides for equal access to land for both men and women. But customary law implies that men (fathers, husbands, brothers, sons) should have priority to benefit from these new titles.
- ❑ We must therefore demonstrate that paying special attention to women can bring systemic and financial benefits, with a territorial trickle-down effect that goes well beyond them.



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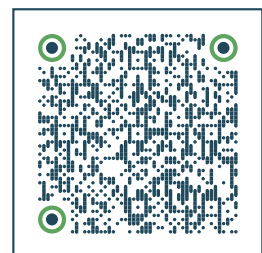
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