COUNCIL on
BUSINESS & SOCIETY

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A PRECIOUS BAUBLE

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

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COUNCIL COMMUNICATION TEAM

For further information and enquiries, please contact:

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

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

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

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

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

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

STELLENBOSCH BUSINESS SCHOOL (SOUTH AFRICA)
Mr. Owen Mbundu - Head of Marketing
marketing@usb.ac.za
+27 21 918 4111

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

Compiled and edited by Tom Gamble and CoBS Editorial team members Pavan Jambai, Muskan Chourey, Félix Dubois-Aubecq, Nishtha Bahal.

Head of Design: Melissa Guillou - Illustrator: Matthieu Anziani

THE DEANS OF THE COUNCIL'S MEMBER SCHOOLS

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

/EDITORIAL

We well know that business schools have the mission to train the new generation of business leaders. This is all very agreeable, but at the same time this mission entails both a responsibility and a risk. Because in today's accelerating pace of change, business schools are responsible for educating their students for the jobs of the future, instead of preparing them for jobs that will no longer exist.

WHAT WOULD THOSE JOBS OF THE FUTURE BE?

While the answer is far from clear, one can safely say that a key driving force behind those jobs will be *Sustainability*. You, as a reader of this magazine, are certainly not surprised by this assertion. But not only you: society, governments and companies alike are well aware of the impending environmental and social crisis, and of the need for change. It is not only an issue of pollution and resource depletion, it is also (and possibly foremost) a social issue that includes poverty, hunger and human rights.

In this context, it is clear that business as usual is no longer a workable option. Indeed, there is a need for a profound revision of business models. Not merely a few nice adaptations, changes or tick-the-box practices, but a *radical* (in Latin, *"from the roots"*) change in business models. This requires moving toward a low carbon and circular economy model, and triggering a radical leap in innovation.

BUSINESS CAN BE A VIRTUOUS CIRCLE

For instance, the circular economy, with its multiple cases of *"re" – re*design, *re*cycle, *re*purpose, *re*manufacture, *re*pair, *re*use, and so on – represents a promise, among others, of more sustainable business models. New skills, knowledge and jobs are needed for this transformation. And the upcoming, radical redesign of business models is a game-changer for business schools today. Consequently, those business schools that embrace this new paradigm will prepare the much needed leaders for the upcoming decades.

If we may have a Christmas wish at the CoBS, it would be that our schools and their collective community of faculty, students and alumni go decidedly in that direction.

Welcome to this new issue of the Global Voice Magazine.

Prof. Adrian ZICARI,
ESSEC Business School,
Academic Director CoBS

OUR CONTRIBUTORS
BRAINS THAT HAVE BRAWN

TUCK SIONG CHUNG
ESSEC Asia-Pacific

ANGIE LOW
Nanyang Business School

FREDERIK DAHLMANN
Warwick Business School

JOAO PORTO DE ALBUQUERQUE
University of Warwick

WENDY STUBBS
Monash University

ROB RAVEN
Monash University

JOSÉ LUIS BLASCO
Acciona

CONCEPCIÓN GALDÓN
IE Center for Social Innovation & Sustainability

ADRIAN ZICARI
ESSEC Business School

FERNANDA CASSAB CARREIRA
FGV-EAESP

HE PENG
School of Management Fudan

BRIAN GANSON
Stellenbosch University

DEBAJYOTI BISWAS
ESSEC Business School

HAMED JALALI
NEOMA Business School

AMIR H. ANSARIPOOR
Curtin Business School

PIETRO DE GIOVANNI
Luiss University and X.ITE Research Center

HIROKAZU KONO
Keio Business School

ELODIE GENTINA
IÉSEG School of Management

KUN-HUANG HUARNG
Feng Chia University

MOTOTAKA SAKASHITA
Keio Business School

KIM HOQUE
King's College London

ANDREW BURKE
Trinity Business School

NA FU
Trinity Business School

JIMMY SHEEHAN
Contracting PLUS

MARGAUX DILLON
Ksapa

ARTHUR GAUTIER
ESSEC Business School

ÉLÉONORE DELANOË
ESSEC Business School

CHARLES SELLEN
Lilly Family School of Philanthropy at IUPUI

SHEILA M. CANNON
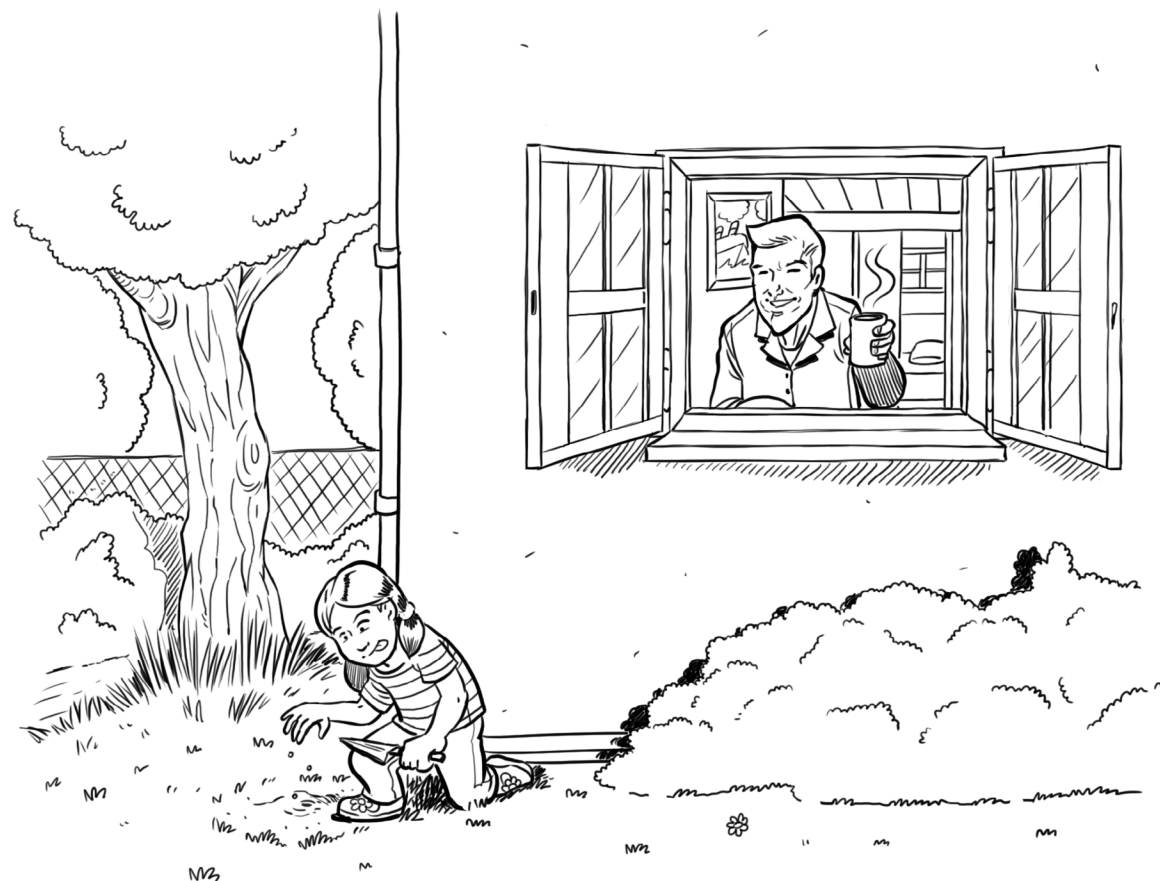Trinity Business School

SUSAN P. MURPHY
Trinity College Dublin

LYNDSAY WALSH
Trinity Business School

PEDRO VORMITTAG
FGV-EAESP and Columbia University

LORY BARILE
University of Warwick

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MANAGEMENT & LEADERSHIP

SHORT-TERM OR LONG-TERM: WHAT MAKES A CEO DECIDE?

The way a CEO writes emails and letters to shareholders can eventually help in predicting how the company will perform. Surprised? Professors **Tuck Siong Chung, ESSEC Asia-Pacific,** and **Angie Low, Nanyang Business School,** share their research on what makes CEO's decide on the short-term or long-term.

Short-term or Long-term: What makes a CEO decide? **Related research:** *CEO regulatory focus and myopic marketing management,* Tuck Siong Chung, Angie Low; Internal Journal of Research in Marketing, Elsevier.

THE MODERN CEO'S DILEMMA

A CEO is expected to deliver desirable near-term outcomes while playing in the long-haul. And more often than not, the demand to create short-term value and long-term value by a company in any industry contradicts each other. It is undoubtedly challenging to look forward and manage the operations over a long-term horizon in the ever-changing industrial world. Adding further to this complexity is the fact that, often, the goal of improving the firm's performance is achieved after the CEO's tenure is over. In this case, the outcomes cannot be directly mapped to the CEO. With the initial impression that CEOs underperform their successors.

This leadership challenge is well-known to all business leaders and addressing it ethically requires a deeper understanding of what goes on in the heads of the top management. The considerably less concrete research on how CEOs think calls for a dedicated study of their personality traits and their impact on the company's performance.

> **Firms operating in uncertain business environments should consider hiring prevention-focused CEOs.**

This is what Profs. Tuck Siong Chung and Angie Low decided to do by conducting a textual analysis of company documents to infer CEOs' psychological traits and relating it to the firm's performance. They highlight how essential it is to consider the applicant's psychological attributes before hiring them as the CEO while exploring the burgeoning and increasingly relevant topics of regulatory focus theory and marketing myopia.

Let's take a quick look at each of these to understand how they relate to the performance of the CEO, and eventually the company.

PLAY TO WIN VS PLAY NOT TO LOSE

Imagine that two of your friends have enrolled in the same training program as you. You ask them about their motivation to build up their skills sets. Joel states that he wants to upskill himself and improve his quality of life – one day he decided that he wanted to move onwards and upwards the corporate ladder and left his job to realize his vision of an ideal life by advancing his knowledge. On the other hand, Emma says she is here to financially secure her future and support her family. She directly applied for the training course after her university studies as the layoffs during the pandemic made her wonder about her employability without increased practical skills.

Now, let's look at their motivation, decision-making, and end goals. Even though their end goal is the same – certification with flying colors – their motivations and decisions they take during their course will be far from the same. What primarily motivated Joel was his desire to maximize gains. He was more open to taking risks and is likely to take them in his upcoming training and professional journey. Your other friend Emma is more concerned about minimizing losses as opposed to making gains and will probably avoid experimenting with her newly acquired skills and stick to the traditional path.

They both got accepted onto the prestigious training course so both mindsets have some merits. But is there a definitive way to know which method is better in a specific situation when two people are motivated by contrasting things and follow different paths?

WHAT FACTORS MAKE CEOS LOSE SIGHT OF THE LONG-TERM?

Profs. Chung and Low attempt to answer the question by using something they call Regulatory Focus Theory. This describes how a person pursues their goals depending on their own values and beliefs and centres around two motivations – promotion and prevention. As such, a promotion-focused person will be motivated to pursue opportunities for gains. And a prevention-focused person will be motivated to avoid making errors that result in losses. Coming back to our previous example, Joel would be happy after his certification if he becomes a better version of himself and Emma would be happy if she doesn't end up being unemployed.

The very nature of the marketing field also has an impact. Some industries – formerly considered to be growth industries – are now on the verge of downfall. And one of the reasons for this is the pattern of compromising on the long-term value creation by focusing on activities that provide instant gratification. For the period 1996 to 2018, this short-termism resulted in a whopping loss of $79bn in annual earnings at S&P 500 firms.

The problem is that this short-sighted decision-making cascades into the marketing department of a company and prompts them to manage their marketing only for the present instead of preparing for the future. Chung and Low term this *myopic marketing management* and it is adopted by companies to keep up with stock market pressure and avoid reporting an earnings shortfall.

THE MEANS AND THE ENDS

So how are these two interrelated and would it help us solve the CEO's dilemma to balance long-term and short-term strategic decision-making?

Professors Chung and Low find that the tendency of engaging in *myopic marketing management* increases when CEOs are faced with the pressure of meeting short-term earnings expectations. As such, promotion-focused CEOs aim to benefit from the increase in stock price (even though it is temporary) while prevention-focused CEOs, being more risk averse, are less likely to fall into this quick gains trap.

Beyond these topics, Chung and Low also consider the compensation structure of the CEO and the business environment in which they operate. They found that equity-based compensation reduces the chances of *myopic marketing management* by promotion-focused CEOs as it

helps promote a refocus on long-term firm value. Prevention-focused CEOs' tendencies toward *myopic marketing management* however are indifferent to such a compensation structure.

Looking back to Emma's story, the pandemic acted as an external factor and probably pushed her more toward going for specialized training immediately. While in the C-Suite context this may or may not have been the right choice for her, Profs. Chung and Low conclude that environmental turbulence in the industry often leads to less *myopic marketing management* by the predominantly prevention-focused CEO. In this light, firms operating in uncertain business environments should consider hiring prevention-focused CEOs.

So next time you watch a CEO's TED Talk, why not pay close attention to how they structure their sentences to understand if they are prevention or promotion focused? And when you come across any newly launched marketing initiative, think about its long-term sustainable value creation. Have the CEO and their marketing gurus been myopic or visionary? ///

KEYS TAKEAWAYS

- A CEO is expected to deliver desirable near-term outcomes while playing in the long-term. The demand to create short-term value and long-term value by a company in any industry contradicts each other.

- Myopic marketing management increases when CEOs are faced with the pressure of meeting short-term earnings expectations.

- This *myopic management* is adopted by companies to keep up with stock market pressure and avoid reporting an earnings shortfall.

- Promotion-focused CEOs aim to benefit from the increase in stock price while prevention-focused CEOs, being more risk averse, are less likely to fall into this quick gains trap.

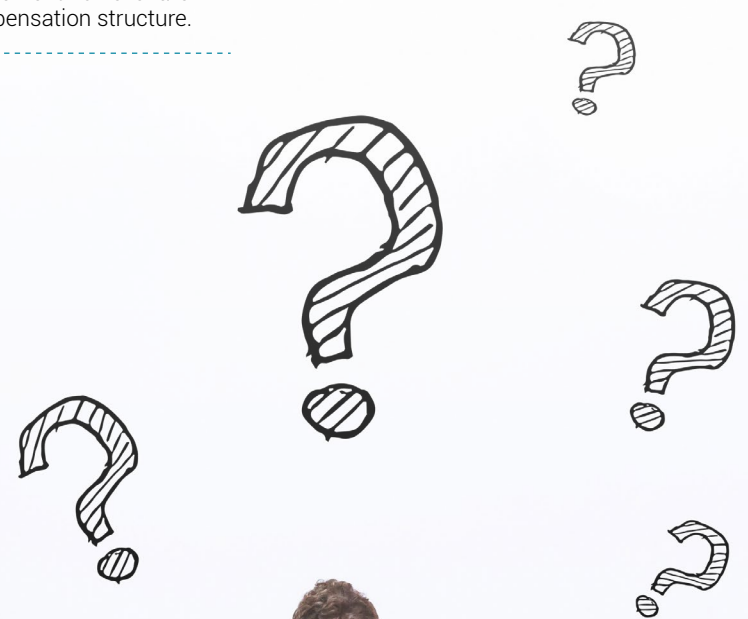- Equity-based compensation reduces the chances of myopic marketing management by promotion-focused CEOs as it helps promote a refocus on long-term firm value.

- Prevention-focused CEOs' tendencies toward myopic marketing management however are indifferent to such a compensation structure.

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THE PURPOSE ECOSYSTEM: WHEN PRIVATE ACTORS AND STAKEHOLDERS HELP COMPANIES REACH THE SDGS

A new form of ecosystem is emerging – the purpose ecosystem. What is it and how does it help corporates achieve their sustainability goals? Professors **Frederik Dahlmann, Warwick Business School, Joao Porto de Albuquerque, University of Warwick,** and co-researchers **Wendy Stubbs** and **Rob Raven** of **Monash University,** explore.

Related research: Dahlmann, F., Stubbs, W., Raven, R. and de Albuquerque, J.P., 2020. The 'purpose ecosystem': Emerging private sector actors in earth system governance. *Earth System Governance,* 4, *The Purpose Ecosystem and the United Nations Sustainable Development Goals: Interactions Among Private Sector Actors and Stakeholders,* Wendy Stubbs, Frederik Dahlmann, Rob Raven, Journal of Business Ethics, 21 June 2022.

> The purpose ecosystem seeks to push and help businesses redefine their "raison d'être" to achieve the SDGs and move towards sustainable activities.

When it comes to discussing the impact of business activities on society and the planet, the focus tends to be placed on one major aspect of the issue – the negative impact of business activities. It has been widely discussed and demonstrated that socio-economic factors – among them consumerism, capitalism, and global value chains – represent major causes of global warming and the subsequent effects of this. Coupled with increasing inequalities, poverty and conflicts, this context has led to the recognition that corporations have a crucial role to play to address these challenges.

In contrast, there has been less discussion about the role that corporations can take to tackle these challenges and develop sustainable activities, as most of the developments have concentrated on the role of politics and society. Yet, experts are calling for rapid and far-reaching changes in business activities and most companies are not well equipped to face these challenges. One solution has been to propose that companies should review their *"raison d'être"* and take into account the social and environmental consequences induced by their activities. Nowadays, it even appears that these calls have been heard by companies. Indeed, some of them have introduced social and environmental objectives into their *"raison d'être",* have become *"B-Corporations",* or have referred to UN SDGs.

Nevertheless, concerns are being raised about the seriousness of these commitments. It is in this context that a myriad of intermediary actors, initiatives and organisations are appearing, whose activities are designed to push companies to review their objectives in view of more sustainable goals and to support the implementation of the UN SDGs. Prof. Dahlmann and his colleagues dub this the *"Purpose Ecosystem"*.

WHAT IS A *"PURPOSE-DRIVEN"* ECOSYSTEM?

So what exactly is the purpose-driven ecosystem? According to Dahlmann et al, this is *an emerging network of actors which interacts with each other and their stakeholders to help change the purpose of business and achieve the UN Sustainable Development Goals.* These actors, private by essence, are defined as *"purpose ecosystem actors".* They also include the businesses which decide to become purpose-driven.

All in all, there's a tendency to study the question of the role of companies in sustainable development from an internal governance perspective, through the angle of purpose-driven business models and the internal organisation of companies. In a different way, researchers who study the *"purpose-driven ecosystem"* focus on the identification of these new *"purpose-driven actors",* their networks and the actions they adopt to bring companies to adopt social and environmental purposes. As such and given the recent, growing interest in this *"purpose-drive"* network, the first questions are: how it is composed? And how it is organised?

Contrary to traditional networks and NGOs, this ecosystem is characterised by an absence of *"structure, governance and coordination"* and is composed of independent actors. It also seems that these actors do not even recognize themselves as being part of such a network. Therefore, unlike formal, goal-directed organisations, this new purpose-driven ecosystem forms an informal network. F. Dahlmann, JP de Albuquerque, W. Stubbs and R. Raven propose the following classification of key actors which compose the *"purpose-driven ecosystem"* (considering that no clear boundaries exist about this ecosystem and that this list is subject to evolve over time).

Actors, initiatives, organisations	Examples of actors	Systemic purpose
Impact investment	Banks, philanthropists, Big Society Capital	*"Changing the broader purpose of investing beyond maximising financial returns"*
Sustainability targets initiatives	Science-Based Targets, We Mean Business Coalition, Pivot Goals, Future Fit Business	*"Changing the way in which companies set strategic targets that are aligned with scientific evidence on Earth system science, sustainable development and the UN SDGs"*
Business purpose change agents	NGOs, social movements, micro-consultancies, Conscious Capitalism, Forum for the Future	*"Changing the governance, business model and purpose of business to account for and address a wide range of social and environmental concerns"* *"Changing mindsets among business leaders"*

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MAKING THE CHANGE, GOING FOR CORPORATE SUSTAINABILITY GOALS

How do these *"purpose-driven actors"* contribute to the adoption of corporate sustainability goals? A key factor is that of incentives, systems and infrastructures to support the development of purpose-driven businesses. These fundamentally integrate social and environmental objectives into organisational purpose. As such, the *"purpose-driven"* actors' efforts are designed to instil change by making companies modify the purpose of their activities. They aim at turning them into purpose-driven organisations themselves and to achieve UN SDGs.

The emergence of this ecosystem is in fact partly linked to doubts raised about the effectiveness of efforts deployed by certain companies in terms of sustainable development. Current developments in this area are nonetheless overflowing and show that many companies are tending, for instance, to set up Science-Based Target Initiatives (SBTIs), as is notably the case in the automotive sector. Yet, for some authors, these initiatives, internal to companies, are insufficient in the face of the urgency and the profound transformations made necessary by the environmental emergency. For others, these efforts are even futile, unless the companies involved understand that they are part of a larger socio-ecological environment.

Similarly, the internal nature of these initiatives tends to isolate them from each other. This is the case, for example, with the increasing use of sustainable materials by industrial companies. The problem remains that no official definition yet exists, so one company may well consider that it has integrated such materials into its products, while others

will see these materials as not sustainable. This might even amount to *"greenwashing"* or *"green marketing",* where companies tend to persuade consumers that their products or services are beneficial for the environment rather than focusing on concretely limiting their environmental impact.

As such, doubts about corporations' compatibility with sustainable activities have led to the development of these *"purpose-driven actors"* which seek to institute change via a more systemic approach, and aimed at getting companies to adopt non-financial objectives and SDGs in their activities. In their research, F. Dahlmann, JP de Albuquerque, W. Stubbs and R. Raven identified six different types of actions adopted by these actors to reach their objective:

- Some play the role of *capacity builder,* which consists in providing companies and the purpose ecosystem with resources and tools to face the social and environmental challenges.
- For others, it will be to play the role of *communicator,* i.e. to raise awareness, inform, educate on the importance of achieving the SDGs through conferences, forums, and webinars.
- Another type of action is *collaboration,* which aims to connect companies with each other and with their stakeholders, in order to help them implement purpose-driven actions.
- *Enablers* aim to amplify and share knowledge, resources and tools to help companies think about their business through this lens of purpose.
- As for the *"influencers"* they seek to influence companies, investors, and even policy makers.
- Finally, the *"change makers"* support the role of catalysts to create change.

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For the Change Makers

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A CALL FOR MORE RESEARCH ON THE *"PURPOSE-DRIVEN ECOSYSTEM"*

At this stage, the objective of research on the "purpose-driven ecosystem" is not so much, or at least not yet, to determine how the actors that make it up can help companies move towards the SDGs and redefine their objectives. Rather, it is a matter of raising awareness of the emergence of this new form of ecosystem and of their potential importance in responding to the social and environmental challenges already mentioned.

Dahlmann and his co-researchers have highlighted the ecosystem's lack of organization and collaboration between its actors, many of whom do not identify themselves as part of the same organization. Nevertheless, this informal character also allows the ecosystem to benefit from a wide variety of actors and actions and to invite collaboration rather than coercion. Most importantly, Dahlmann et *al's* research has highlighted the fact that its actors tend to pursue the full range of SDGs – and thus seek to contribute to the full range of social and environmental problems facing our world nowadays.

TURNING A SHADE OF GREEN

Born of the concerns about the compatibility of business with more sustainable activities, the wide variety of actors that compose the purpose ecosystem seek to push and help businesses redefine their *"raison d'être"* to achieve the SDGs and move towards sustainable activities. But because of its recent and informal nature, its role in addressing social and environmental challenges remains to be clarified. But once done, maybe that typical focus on the negative impact of business activities would turn a shade or two more green. **///**

KEYS TAKEAWAYS

☐ Socio-economic factors – consumerism, capitalism, and global value chains – represent major causes of global warming, increasing inequalities, poverty and conflicts.

☐ Experts call for rapid and far-reaching changes in business activities and most companies are not well equipped to face these challenges.

☐ One solution is that companies should review their *"raison d'être"* and take into account the social and environmental consequences induced by their activities.

☐ A purpose-driven ecosystem is an emerging network of actors, mainly private, which interacts with each other and their stakeholders to help change the purpose of business and achieve the UN Sustainable Development Goals.

☐ Contrary to traditional networks and NGOs, this ecosystem is characterised by an absence of *"structure, governance and coordination"* and is composed of independent actors.

☐ But this informal character also allows the ecosystem to benefit from a wide variety of actors and actions and to invite collaboration rather than coercion.

☐ The purpose ecosystem actors tend to pursue the full range of SDGs – thereby seeking to contribute to the full range of social and environmental problems facing today's world.

BUSINESS, PEOPLE, AND THE TRANSITION TO SUSTAINABILITY

José Luis Blasco, Global Head of Sustainability at **Acciona,** and Professor **Concepción Galdón,** Director of the **IE Center for Social Innovation and Sustainability,** discuss the steps organizations and individuals can take to push the transition toward a sustainable economy.

With kind acknowledgements to IE Insights. Watch the full interview in Spanish – with subtitles available in English – on the IE Insights website.

> " Europe has decided that this model of a different capitalism brings a competitive advantage in a new world.

Concepción Galdón: My name is Concepción Galdón – I'm the Director of the IE Center for Social Innovation and Sustainability. Inside the IE Sustainability Office, I also run all the academic side, the research and sustainability content of our programs.

José Luis Blasco: My name is José Luis Blasco, I am the Global Head of Sustainability at Acciona, an infrastructure and energy company with many international operations.

CG: Well, thank you very much José Luis for accepting our invitation to talk about sustainability today. The first thing I would like to ask you, just to get the ball rolling, is what has happened to us with the whole idea of sustainability over the last few years? Because unfortunately, poverty is not something we have just invented. The first articles in scientific journals on climate change were published 50 years ago. Inequality, unfortunately, is also older than the hills. These problems of biodiversity, of managing resources, have been piling up for decades and yet, there is still no social catharsis about looking at these concepts from another angle, with another responsibility. What do you think has happened?

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JLB: Before the pandemic, we had already reached a point where we had the feeling that the market economy, which had brought such amazing results, we have had 30 or 40 years of incredible growth. We have taken 300 to 400 million people out of poverty. We have tried to develop technologically and to bring welfare to more and more people, but it was a system that, to a certain extent, we all knew had gone off the rails.

We had seen how climate change was starting to become an emergency. There was a kind of consensus on the need, not only for the public sector, but also for the private sector and the general public to be part of a new way of thinking. And I think that the pandemic has speeded this process up. I think for me there are two main ingredients that have catalyzed this change.

Discontent is one. People were angry, we have seen numerous protests, not only the yellow jackets in France, we have seen others in Chile, in Lebanon. In Colombia people were talking about the right to be angry. I have the right to be angry and to be out here on the streets showing people how angry I am. That situation has given us a different wakeup call. We're also going to see where they're going, where things are heading. But I think that the major trigger, which first made boards of directors, but also parliaments, make a move was the climate emergency.

I think it has made everybody more aware of the fact that we have a very short amount of time to react to a problem that can inexorably transform our relationship with the planet and, therefore, our development model. We need to rebuild the derailed train in a different way, to make it work for the people and for the planet.

CAPITALISM IS A VERY IMPORTANT TOOL TO CREATE WELFARE — WE NEED TO MAKE IT MOVE FORWARD

CG: Some people have turned capitalism into a cult, as something that they have to protect. But, on many occasions, the best way to protect something is to help it move forward. When it moved forward in the 1960s, it was a time that coincided with the change, the exceptional growth of the economy, which is absolutely compatible.

When the economy starts to grow and the middle classes emerge and they start to demand that the economy should work differently. And this actually happened and this coincided with the first time that mankind was able to disconnect economic growth from its primary source of energy, which was people, and we can see this in the statistics. So, it was a time that we saw as being special, but it wasn't that special. We have already had a period in history when we changed capitalism to a better version at the time, which was also thanks to the transition, through the economy and through innovation, to new energy sources, and that should not scare us. Totally the opposite, it is very exciting and it goes hand in hand with a part, I think, that is more humanist, more people-centered, of a certain pride in participating.

JLB: This is a time when those who will succeed in the year, I mean, in the 21st century, will be those who are capable of understanding that the world is more complex, that we can optimize more than one income statement, that this complexity is going to give us new prosperity. I believe that this new capitalism, let's call it that, I think there is a different understanding of what the elements to be optimized are from a public or private standpoint. In this new capitalism, we are going to be able not only to survive, which is the feeling we often have, in order to renew.

CG: In fact, I often feel that we have been really efficient and quick in getting to a place we don't really want to be in. We have to change direction. It's not just that we're not going downhill extremely fast, it's that we have to change the direction we've

been going in completely. Which is what you were talking about in terms of renewal and I think we also have to connect with the world of ideas, of thought, of philosophy, of valuable things, because our idea was to separate the economy as a science from the reality of the societies in which it operates.

And the fact is that economics is a social science and often we make mistakes when we want to dice up situations, instead of tackling a world that is complex, that does not fit in a double-entry matrix, and where we have abandoned things along the way. How we have looked the other way, when there are many realities which we needed to factor in and I do sincerely believe that capitalism is a very important tool to create welfare and I believe that because of its importance, we need to make it move forward.

JLB: There is also a great opportunity from the point of view of innovation and business. Let's not forget that this has nothing to do with the downturn, it has nothing to do with, let's say, with being worse off. We are talking about an approximate investment required solely for the climate, to achieve that net-zero that we need by the middle of the century to be able to not consume that meagre carbon budget that we have left, so we're talking about trillions, we are talking about 3.7 trillion in investment in areas such as, not only energy, and not only transport and largescale industry, but we are talking about a huge opportunity to reindustrialize our continent.

And I think that Europe has decided that this model of a different capitalism, brings a competitive advantage in a new world. But let's not forget, I think there are also some major threats in this transition. The main threat is to understand that our development model cannot be dominant, cannot conquer the entire planet, we are not always totally right. We must work on opening up, on being permeable, on interconnecting, because otherwise we will end up leaving out people who think that this world has to be transformed in different ways. And I'm very concerned that things that we take for granted, which in the market economy development model are essential, are the operating system, need to be shared by other cultures.

HISTORICAL CHANGES DO NOT HAPPEN ON A PARTICULAR DAY

CG: When a change takes place in a period of history, then historians choose a date, whatever it may be, to say it was the day of this war or it was the day of such and such. But, actually, historical changes do not happen on a particular day, they have been going on for decades and they are consolidated over decades. And I believe that, in the future, we will realize that we have been involved in a historical change, which I don't know whether historians will say that the change was confirmed when the war in Ukraine broke out, or during the pandemic, or what day they will say marked the change, but I know that we are a part of this. We have to look at new ways of building our value chains, new ways of functioning that enable us to be profitable, because we are sustainable.

JLB: When we talk about 2015, I am referring to this year because it was a time in which several things came together. First of all, perhaps we actually became aware of the reality of climate change and the climate emergency, with the Paris

Agreement, which gave us a clear sign that the future is going to be carbon-free. But there is a second milestone that seems to me very relevant, which is a political fact, which is the creation of the 2030 Agenda, the Sustainable Development Goals.

We are going to work on the links and the tradeoffs between, for example, water, food, and energy. Or we're going to talk at some point about how social inclusion will be a key element when it comes to thinking about this new future, about the 21st century. And the complexity of having to link these different challenges, I think that's going to be where we are going to have winners and losers, winners and losers from the point of view of the companies that are able to read this context, this change and also from the point of view of people, of how we adapt.

CG: We can actually do a foresight exercise of trying to pinpoint things that are already happening now and that are like little windows opening onto the future. And I see it in many industries. For example, in the fashion industry, when we talk about sustainable fashion it's almost like a contradiction in terms, but we are starting to see companies that are starting to think about fashion not in terms of collections and convincing you that what is good for you today isn't good for you tomorrow, where you end up buying and throwing away, and buying and throwing away.

But to start thinking about clothes as timeless collections, pieces that you can wear forever that are made differently, with totally different technologies, not like before when jeans were stonewashed in incredibly harmful ways, both from a social and environmental standpoint. Now they use technology which consumes 1% of that amount of water, does the same job, and also creates a totally different relationship with those pants or whatever it is, which lasts over time.

WHY CAN'T ROADS PRODUCE ENERGY?

JLB: We're seeing new business models. For example, in the field of cars, tyres, automobiles, which means that I want to move around or I want to own a car and how I relate to that, and companies learning how to make money from their assets in a different way. I think we are going to have new models in which people are going to be more like managers, more active players in this service, and are going to have more to say about them, about ourselves. And we're going to be able to contribute in that relationship. I believe that at some point in time consumers are going to become prosumers in that they participate in the efficiency of the product or service.

We are very passive. This point is really important because it will transform many industries. We've talked about, you mentioned the case of fashion and of mobility, but let's look at one of the most important when it comes to transformation, for example, food agriculture. We are talking about an industry that emits approximately 20% of greenhouse gas emissions with some clearly defined structural elements, which, in the case of infrastructure, is especially important. The productivity ratios of an industry which is so essential for the economy, as is the construction of infrastructure, instead of increasing, simply remain stable or are decreasing. In the end, infrastructure has two characteristics that make it unique.

The first is that, to a certain extent, it is a society's operating system. What we do now, what we build now, the way we develop our water supply, energy and mobility, is going to last for 100 years, it's going to last over time. And in 2050, those assets have to be completely decarbonized, if they are to be compatible and be valuable. But, on the other hand, infrastructure's ability to transform from the point of view of renewal is extremely important. We ask ourselves in daily examples, well, why can't roads produce energy? For example, storing water for irrigation or transforming the land.

THE NEED TO SEE CLEARLY

CG: You were talking before about the role of the consumer, but also, about the role of all these people who share their generation with older people, but who share this idea, this objective of participating in transforming the world so that one can be successful, while generating success for others and for the environment.

And what happens is that these customers and these employees, because they were born into a world where technology already exists, so that products and services are sustainable from a social and environmental point of view, cannot understand why companies do not ensure they are sustainable. This is also what often happens with some executives when they suddenly understand that they too can do things differently.

JLB: Sustainability, the word cannot stop us from taking action. The word is nothing more than a term and a beautiful concept, which we have subverted to a certain extent. To some extent we have popularized it, we have trivialized it. But really, those executives need a new, different term, so they can make that click that you're talking about and put on those glasses that will enable them to see where the real waste is occurring, where there is real efficiency not only from an economic point of view, but from other income sources.

How their employees are part of that project, how those people that are working in their teams can have that same objective to work in businesses that improve, that transform the way we are moving forward. That's where I think our really big challenge is. Our big challenge is that we're very, shall we say, very good at asking questions. What's going to happen with our water? What's going to happen with climate change? What about inclusion? But now it's time to give answers.

CG: We have to move out of the core of sustainability experts, because the answers are not going to come from sustainability experts, they are going to come from professionals. The one who is best able to think of a new way of making a production line is the one responsible for that production line. The person who can best rethink a factory is the person who works in the factory. The one who can best think of a new material or the one who can best think of a new way to create a business model, is the person who has the Excel, the owner of the financial part of that business model.

What I think we need is to step away from the mainstream discourse, from basic discourse, let's say, and more towards raising awareness. I think it has played its role and that it was important, but it ended up being very restricted to a number of people who felt that it was their conversation. But we have to come around to understanding that this is everybody's conversation.

So, no one can be the best professional without taking a sustainable look at what they do, because at the end of the day, being sustainable means that what you do can last over time and that it can be successful over time. And to do that we need to protect the environment where everything is manufactured. And this is an invitation to all the people, to all the engineers and all the technical people. To what? Not to become sustainability experts but to be the best engineers possible.

JLB: We are confronted with the fact that the professions of the future, which are going to need these new skills, still don't exist. Not even the educational system responds properly in training financial experts, or sustainable financial experts or sustainable engineers. The main problem is that, for this to actually happen, we need a basic ingredient which is authenticity.

For a long time, we have been taught that to reinforce the economic variable, the social and environmental variable had to be taken into account. What we call ESG, to a certain extent, Environmental, Social and Governance, and this made better companies. Of course, this is totally right, totally right. And those key criteria were found in most companies, but especially in European companies, where in any of the conventional sustainability ratings they were generally right at the top, in tier one.

But we're not talking about that. We are talking about companies that transform, not just what they are, but how they do it, and we are also talking about what they do. To change the direction of the companies it is not enough to ask good questions, it is the strategists, the financial experts, the engineers, the sales force, the human resource people, the people who actually drive the key four or five processes in the company, who take on board and work together to deliver that change. And that change requires conviction, but I insist again, it requires authenticity.

CG: It's something so big, it's something so complex that it takes on so many different forms in different industries, in different areas that it's impossible.
When somebody comes to me and says, I know about sustainability, but what about sustainability? Because, for example, I personally know about sustainability in general, more than any person walking down the street nowadays, but mostly I know about the social side because that's what I've worked in the most. But the man or woman, all the home, let's say, it gets to a certain point, but there comes a time when the real solutions have to have owners who are technically competent, not in sustainability, but in their industry and in their specific field of knowledge.

JLB: I believe that the same thing happens in all companies. There are some key competencies that make the difference, the ones that really make for a successful business project, which must be the drivers of sustainability. Ok, our company uses a lot of diesel and we need to replace these 30-tonne machines which move tons of land to build large infrastructures and they have to be built differently.

THE NEED FOR EVERY EMPLOYEE TO EMBRACE SUSTAINABILITY

CG: A Board of Directors today that does not know enough about sustainability-related issues is neglecting its duty to the company's owners, because it is not able to support the company in a matter that is fundamental in terms of the transition that is taking place. Today, any company should be very apprehensive about having employees who are illiterate in sustainability.

JLB: At the very least, they are not rounded professionals in changing and making decisions in a different context. Because, ultimately, we decide which products we put on the market, where we put the production plants, which customer segments we target, which employees, what talent we are using. To a certain extent all of those signs give rise to, appeal to a certain, let's say, type of investor.
If one makes short-term decisions with quick returns, you put out signs that you want short-term investors as your shareholders who demand very short-term returns. But if you make long-term decisions which are healthy for the company, taking into account that new context, the company will attract a new, more numerous investor profile.

CG: We were talking about the fact that we really need to draw up a new social contract. And we were talking about the fact that, in this transition, there are going to be winners and losers, both at industry level, you were saying a while ago, and at people level, and a lot of people are rejecting this change, and this world that's going to change. Because they are very aware there are going to be many losers.
And I don't think we need to gloss over this. We have to be aware that this is going to be the new norm. So, I often ask myself how can we manage this? It's ridiculous to think that a man who today works in a coal mine, is going to be an artificial intelligence systems architect tomorrow.

JLB: It's much more complex. We have witnessed a transformation, the digital transformation, and we've seen that divide, that fracture. But, the decarbonization divide is going to be much more complex to manage than the digital one.

The skills, as you rightly say, to be able to make that transformation sustainable, are quite different from the ones required before. I would like to analyze two issues. The first issue is that we already know what's going on. For example, right now, an engineer coming out of college, who graduates from university, or a person who is going to look for a job, knows the industry perfectly well and the future of the industry and the capacity for transformation of the company they are applying to. Asking questions inside and outside the company, helps those changes to take place.

And for me it's important that as soon one talks to the company's management and asks questions about this, it helps to adapt and to mitigate let's call it the potential or the potential risk. And the other part, or the second important issue here is we shouldn't settle for half-baked solutions. And the temptation is that those transformations that we need, for example, to decarbonize the economy, lie in intermediate technologies that are going to make us go back through the transition stages of those people in the future.

And I'm going to give you a very clear example, gas, for example. I mean, gas emits CO2. Sorry. Moving from a coal and mining industry to a gas industry and then to a renewable industry, wastes precious time. I mean, let's be practical, let's take the plunge, let's build that momentum, let's put the resources in place and let's do it once and for all.

GETTING TO THE ESSENTIAL

CG: But we have to design that transition. It is not going to happen on its own, which means that is not reasonable, or it doesn't seem reasonable to me, to say no. Because climate change is so important, nothing else matters. And then we're going to move forward quickly on climate change. And we need to make the man who works in a mine today see this. Because if not, as the planet is going to die, it doesn't matter. Hey, it does matter because there are many families, a lot of people and because if you only care about climate change, you should be worried about inequality and you should be concerned that for that transition to be effective, these people need to find their space in this solution.

And I think this is something that we are missing at country level as well as at individual company level, and that is to devise strategies to support people in the transition, who, by the very nature of the transition, if they are not proactively helped along, they are probably going to be left behind.

JLB: Yes, but Conchita, you need to remember something: we are currently investing almost the same in fossil fuels as in renewable energies, and we mustn't be under any delusions. The budgets of the EU Member States which have decided to be carbon neutral, cannot be used to build infrastructure or equipment that are going to produce CO2 in the future. Because we are sentencing all these activities to stop being useful, to being obsolete assets in the short term.

CG: What all of this means in the end is that people need training and everyone needs an education at all levels, starting with the youngest children, I think, but also, top executives and CEOs. I believe that the role of education to move towards that decarbonized, sustainable future requires different skills. JLB: I believe, and to be more specific, let's say skills that are going to be needed in the next three, four years, and that everybody who wants to have a successful career should know. The first, and I think essential point, is coal. The great disruption, Europe, basically, has decided to reindustrialize via decarbonized industries. By law we need to be carbon neutral by 2050. This is a key challenge. But do we know where the emissions of our products are generated?

Upstream, in our suppliers and raw materials? In our manufacturing processes? At the customer? CO2 or methane or any of the other greenhouse gases need to be understood. A second skill needed, also with the planet in mind, is whether products and services are circular.
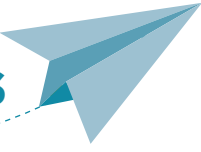
How can we reduce our consumption of natural resources across the board? But if we move to the social side, we would be talking on the one hand, about the usefulness of products so that they are accessible to large parts of the population. We were talking to a certain extent, that democratizing access, so that progress reaches everybody, is a very important variable in product design.

CG: I would say two things. On the one hand, ensuring your product or your service is materially accessible to everyone. That message to the bank. Many people want to pay your commissions, why do you stop them? But also, how we understand the social dynamics that we create through the way we pay wages, through the way we accept or do not accept the new social contract we need to draw up and how the future of our companies affects the social and, therefore, political context.

And that, when we complain about political polarization and the problems that this creates, how we, as a company, how we educate or don't educate our employees, how we help or don't help our employees, how we educate or don't educate society, our environment, and how we reduce inequality by lifting, by lifting people up from the bottom, we affect that context, how we protect the middle classes.

JLB: Each one of us in our positions of responsibility, we have to be truly, or we have to strive more and more to become agents of change. I think there are many things to change and the core competency at the end of the day in a professional is to be able to transform, to lead those changes or to participate in them. You don't have to lead but you can always participate. And I think the sustainable part requires cross-functional, cross-disciplinary consensus in many parts of the company.

CG: How can I continue to be very competent in the specific area I'm in, but also know how to link it? How this has an impact on the level of all the communicating vessels with the rest of society, the environment, the operational context, etc. And in the end, I think it's realizing that the world is going to change and it's going to change with or without you, and you need to train yourself and be competent to participate in that change. **///**

KEYS TAKEAWAYS

- Economics is a social science and often we make mistakes, not tackling a world that is complex and looking the other way when there are many realities which we needed to factor. But capitalism is a very important tool to create welfare and because of its importance we need to make it move forward.

- There is also a great opportunity from the point of view of innovation and business to reach net-zero. Europe has decided that this model of a different capitalism, brings a competitive advantage in a new world.

- There are also some major threats in this transition, the main being to understand that our development model cannot be dominant, cannot conquer the entire planet, and that we, in developed countries, are not always totally right.

- Concerning products, at some point in time consumers are going to become prosumers in that they participate in the efficiency and sustainability of the product or service.

- If one makes short-term decisions with quick returns, you put out signs that you want short-term investors as your shareholders who demand very short-term, unsustainable returns.

- People need training and everyone needs an education at all levels, starting with the youngest children, to top executives and CEOs. The role of education to move towards that decarbonized, sustainable future which requires different skills.

- Companies in line with sustainability: ensure their products and services are materially accessible to everyone; understand the social dynamics created through the way they pay wages, through the way they accept or do not accept the new social contract required and how the future of the company affects the social and, therefore, political context; how the company educates or not its employees, how it helps – or not – its employees; how it educates or not society, the environment, and how it reduces inequality by lifting people up from the bottom

IMAGINING THE FUTURE OF BUSINESS EDUCATION

Upon the recent publication of research on imagining the future of business schools and education, Prof. **Adrian Zicari, ESSEC Business School,** interviews **FGV-EAESP** Researcher **Fernanda Cassab Carreira** about the interest in the subject and the challenges involved for the imagined future.

Related research: *Techno Futurist, sustained inequalities and Eco-utopia: Speculative imaginaries of Business Education in 2050,* Fernanda Cassab Carreira, Amanda Albuquerque Gross, Pierre-Eloi Gay, Caroline Rodrigues Silva: Futures, Volume 144, December 2022, 103043, Elsevier.

ADRIAN Zicari: When reading this paper, I became curious about this kind of qualitative prospective. This is unusual, as we are more familiar with computational, quantitative prospective studies.

Fernanda: Indeed. We came up with this paper because my colleagues and I were taking a course about the Anthropocene in our doctoral program. And for the final paper, we chose to present an experiential work instead of a conventional paper. We wanted to explore, with the colleagues of the course, what a business school would be like in the future, having the Anthropocene as a new horizon. We are very interested in dialoging with some papers that we read, like the one written by Campbell et al. (2019) that brings the unbounded, incalculable and unthinkable Anthropocene, and the one by Fontenelle (2022), about this unmanageable and impossible Anthropocene in business education.

> **" Crises are wicked problems that require imagining futures that do not yet exist because they are unpredictable.**

We were very interested in imagining how the business school in the future would look like. Moreover, we were very curious to explore alternative methodological approaches. Not quantitative ones. In existing studies, we found very interesting papers about research for desirable futures. Those authors question these very methods of quantitative projections. Their argument is that in crises such as pandemics, the Anthropocene or climate change, which are all wicked problems, *require imagining futures that do not exist yet because they are unpredictable.*

Climate change is unpredictable. How can we use projections that are quantitative? These projections tend to take today's facts, or they study how society has become. All these projections are based on the past or the present, but they don't account for the future because the future is unimaginable. We don't know what's going to happen!

That is why we went for something we call speculative imagination. It's a method used to theorize about something that doesn't exist yet, since we can only imagine it. The imagination we are talking here is this capacity of the human being to create things. It's not an approach that treats imagination as fantasy or illusion. It's not a Lacanian perspective, or about imagination being an illusion on a fantasy, but it's more a Castoriadis approach that sees imagination as this power of human beings to create things.

AZ: In that sense, you are confident in the capacities of human beings.

Fernanda: Yes, yes, precisely that. At the same time, it's very difficult for us. In business schools, we are very trained to be logical, to have this rationalism and functionalism, and instrumentalism. This, in some way, opposes the idea of imagination, because it's not considered as a legitimate way of knowing. Some authors are engaged in this method of speculative imagination. In some cases, they resort to science fiction to give more freedom to imagination.
They go for fiction to help us imagine, because we as academics in business schools are not used to imagine this way. Of course it's a very qualitative method, but here the aim is to break with rationality, with functionalism, and to bring another viewpoint.

TECH: THE GOOD, BAD AND HOW IT SHAPES BUSINESS EDUCATION

AZ: How do you see technology in this? Because I had the impression that you see it in a quite optimistic way.

Fernanda: Yes. it's interesting. In general, technology always appears as this social imaginary that will solve all problems. And it's a belief or a hope that human beings will always be able to invent something, a machine or technology, and this will solve the problems that we ourselves cause. This is good and bad at the same time. It's good because we are always exercising our creativity, developing these technologies, and many of them bring a lot of benefits to human beings and even to non-humans or for the Earth system, as you said.
On the other hand, what is more common is that, in relation

with sustainability and Anthropocene, technology becomes an excuse to continue reproducing status quo. This status quo is destroying our living systems, including the human species. In general, it's not the technology that is the problem, but it is the ways we organise around technology. Our students have a lot of difficult to imagine outside hegemonic models. They found it easy to imagine huge technology leaps, but at the same time, this technology was not enough to deal with climate change for instance. So it's a bit of a hopeful view of technology we have in our study. We saw that because of some things, it's my impression, we conducted this research in midst of the COVID-19 pandemic. No doubt that the pandemic showed us the very positive sides of using technology.

When students were answering our questions, they were living the experience of having technology in their favor. They were able to have remote classes to relate with people in social isolation, to reshape the ways we work. It was for a particular context that technology was being used a lot. We believe that something of this context brought this optimism on technology.

There's also something important to say: that our students, the majority of them, have the resources to access technology. It's a private school. The majority of our students were able to use technology in the pandemic. We think that somehow this provided this positive light, this optimism on technology. Maybe if we run new studies now that the pandemic is more controlled, or if we run the study in state schools, for instance, this perception changes a little bit.

THE TECHNO FUTURIST AND THE E CO-UTOPIAN

AZ: Two of your scenarios are quite close: The **Techno Futurist** and the E co-utopian. Could you elaborate on the differences between both them?

Fernanda: The first important thing to say is that these are not "scenarios". They are narratives. We bring this up because the idea of scenarios for us is much linked to quantitative projections, to existing methods, which are rational and sometimes instrumental – and this is not the case of our study. We talk about "imaginary narratives". It's a detail, but it's important to us because scenario leads us to this idea that we can project things.

Here we are imagining, so our narratives are of course a very subjective process. We also, as authors, have our preferences and students too – precisely because it's a qualitative study, it is supposed to be like that. These narratives have things in common. They have things in opposition and within themselves they can contradict each other from time to time. This is precisely because they are not linear scenarios.

There is not a good scenario, an average scenario, and then a worse scenario. They are narratives that have contradictions. As in the reality as we live our day lives, we are full of contradictions. These narratives also have these contradictions within themselves. We were in fact trying to break the dichotomy between good and bad. At least we tried to!

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The Techno Futurist narrative has this predominance of the imaginary of technology permeating our daily life, particularly on education matters. Technology in this imaginary includes and excludes in every dimension, both socially and economically. It replaces humans on many fronts, and it's very connected to this social imaginary we have. It's also very influenced by science fiction. If we watch movies on science fiction technologies, there are always robots and artificial intelligence that do things for us. We saw that in this narrative are students – and we also bring in this imaginary that comes a lot from science fiction.

At the same time, many of the things that we narrated there already happen today. We can see the use of artificial intelligence – intelligence in education – growing and these other characteristics that we have in this imaginary. The **Eco-utopian** narrative is the imaginary of the human being placed in the center. It's very personalized, as it is the case of the Techno Futurist narrative. But in the Techno Futurist narrative, they use technology to tailor education to each student. We run tests, use artificial intelligence, and end up saying: "Okay, so this course is good for you. You have this competence to

develop." In the Eco-utopian narrative instead, we don't use technologies to make this assessment. It's all based on the human relationship between ourselves. What they have in common is that in both narratives, the classroom practically disappears.
It almost makes no sense to have a business school building because the learning process really happens outside.
You don't have to go to the business school to have your education in the Techno Futurist narrative using technology. In the Ecotopian narrative, you are in the middle of Nature, or in the middle of city. It's much more experiential learning than going to a classroom inside a university building. This, they have in common, and as I said, also the personalized teaching, but using different processes for the same objectives.

An important difference between each other is access to education. In the Techno Futurist imaginary, education becomes very costly, as investments are needed, thereby increasing inequalities in education. This doesn't happen in the E eco-utopia, which is a more inclusive perspective.

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IMAGINING THE BUSINESS SCHOOL OF THE FUTURE — NOT SUCH AN EASY UNDERTAKING

AZ: How do you see the deployment of these narratives? Maybe we have some countries with one narrative, some countries with others, maybe at the same time.

Fernanda: Yes. We believe that precisely because it's an exercise to imagine together, it would change a lot, but from country to country or even from different regions of Brazil, or even in the same business school. We took a small group of students who had passed through the same classroom experience. They were students of a sustainability course that has a lot of stimulus on this imagination process.

Had we taken another group of students in the same business school, maybe we would have had different imagine narratives. However, I think that some aspects will appear if you run this exercise over and over again in different countries, and in different regions of the same countries.

The main takeaway of this research, is precisely to realize that it is a challenge for us business school students and researchers to engage in this process of imagining, of being really creative and courageous to imagine a world that is totally different from the one we are living today. Paradoxically, on one hand we are always told that we need to be creative, to imagine new products, to look for new markets. But in fact, we're not being creative at all. We are always reproducing the same way of living, the same way of doing things, the same relationship with the Earth in terms of natural resources and relations to non-humans.

So we're not really being creative. This exercise consisted in asking students to imagine anything they wanted. For example, in 2050, what do you want to see for business schools? What do you want to happen? You have all the resources you want. You are free to imagine. And they came up with things that were not quite that disruptive. We're still reproducing the same ideas and this tells us a lot of our education. This is the main takeaway for us. How can we put imagination and alternative ways of researching, alternative methods that can really provoke a critical view on what we are doing, in business schools? It's something we should invest more into.

AZ: Obrigado, Fernanda. ///

KEYS TAKEAWAYS

◻ Crises such as pandemics, the Anthropocene or climate change, which are all wicked problems, require imagining futures that do not exist yet because they are unpredictable.

◻ Imagination is the power of human beings to create things. But for business schools this is a challenge because we are very trained to be logical, to be rational, functional, and instrumental.

◻ This, in some way, opposes the idea of imagination, because it's not considered as a legitimate way of knowing.

◻ Some authors are engaged in this method of speculative imagination. In some cases, they resort to science fiction to give more freedom to imagination.

◻ The risk with using tech in relation with sustainability and Anthropocene, is that technology becomes an excuse to continue reproducing the status quo. This status quo is destroying our living systems, including the human species.

◻ On the other hand, the COVID-19 pandemic saw tech being used to solve complex problems and bring assistance to people and society.

◻ The **Techno Futurist** narrative sees technology permeating our daily life, particularly on education matters. It replaces humans on many fronts, and it's very connected to this social imaginary we have.

◻ The **Eco-utopian** narrative is the imaginary of the human being placed in the center. In the Eco-utopian narrative instead, we don't use technologies to make assessments about what is best for students' education. It's all based on the human relationship between ourselves.

◻ What these have in common is that in both narratives, the classroom practically disappears. It almost makes no sense to have a business school building because the learning process really happens outside. It's experiential.

◻ In the Techno Futurist imaginary, education becomes very costly, as investments are needed, thereby increasing inequalities in education. This doesn't happen in the E eco-utopia, which is a more inclusive perspective.

◻ Paradoxically, business school students are always told that they need to be creative, to imagine new products, to look for new markets. But in fact, we are always reproducing the same way of living, the same way of doing things, the same relationship with the Earth in terms of natural resources and relations to non-humans.

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TO BE HUMBLE OR MODEST? WHAT COUNTS MOST IN JOB PERFORMANCE?

> **When given a task, an employee's personality plays a big role in their work behaviour.**

Are there certain attributes that could boost work performance? That being said, are there certain such attributes that could negatively boost work performance? When it comes to being humble and modest, both are supposedly excellent virtues to have as an employee. But, in the long run, does one attribute accelerate job performance more than the other? Professor **He Peng, School of Management Fudan University,** takes on the challenge to scrutinize these two constructs on the different dimensions of job performance.

Related research: Similar or Different Effects? Quantifying the Effects of Humility and Modesty on Job Performance, He Peng, Frontiers in Psychology: Organizational Psychology.

Time and again, a perfect employee is determined by what they contribute to an organisation as a whole. Managers have, and still view, job performance as the most crucial variable in determining one's suitability in a workplace.

The words humble and modest are often positively used to describe those managers and leaders who bring about the most productive results. Strong evidence over the years has implied that humility has been at the core of effective leadership, while modesty is the backbone of corporate advancement.

More often than not, when asked to define humility, a significant number of people use layman's terms and utilize the word 'modesty' in their interpretation. Strangely enough, the exact thing occurs when asked for the definition of modesty and the word 'humility' shows up. These definitions are closely intertwined in the minds of the people, however, that doesn't express whether they bring out the greater good individually. For example, in work environments, these characteristics are quintessential for great results. But, when examined distinctly, do they exhibit identical quotients on an employee's performance?

A great deal of research has been conducted separately on the concepts of humility and modesty being the key fragments of work outcomes. However, just a handful of studies examine the close link between this duo side-by-side.

DISSECTING THE CONFUSION

Professor He Peng decided to dig deeper into this niche of confusion, to comprehensively identify the effects of modesty and humility in a professional performance setting. He went

about it by reaching out to 77 managers who participated in a survey and further recommended around 239 subordinates who volunteered to engage in the questionnaire.

Preceding scholars have highlighted the multi-dimensional nature of job performance and additionally determined its sub-dimensions as equally important. As a consequence, Professor He Peng investigated the collected data across 4 different magnitudes: task performance, citizenship behaviour, unethical pro-organisational behaviour, and innovative behaviour.

HUMILITY VS MODESTY

In a workplace, the virtues of humility and modesty mainly overlap from an interpersonal point of view. Humility and modesty from an inner view can frequently come out as confusing and repetitive. But when given thought from an external aspect or – in other words, behaviours manifestations, they have well-determined differences.

As a result, in his research, Professor He Peng defined them from an interpersonal aspect. Here, humility is seen in multiple ways such as – a reflection of one's willingness to underline their shortcomings, to compliment others' vigour, and to be open to criticism from their peers. Contrastingly, modesty is defined as a discrete form of self-portrayal.

In today's world, managers need to understand their subordinates in their entirety to determine their strengths and weaknesses. However, understanding the underlying motives of one's behaviour at work is key. Rather than using trial and error to decide whether a team member performs better at a task, comprehending their primary motivations supports a faster, better and more considerate solution.

TO GET THE JOB DONE

When given a task, an employee's personality plays a big role in their work behaviour. And for managers, it is imperative to understand their team's distinctive patterns. Moreover, making use of this observation, managers must seek to support their subordinates to increase productivity and contribute towards core tasks, while keeping their distinct style of functioning in place.

Being a humble employee is always seen as a positive feature, but when looked closely, there are tinier specks of humility that can cater to even better work performance. Those who are perceived as humble, often have a continuous learning attitude and this frame of mind is what brings on their very best when dedicated to a task. Secondly, a humble employee is well-aware and can analyse their weaknesses, while being open to feedback from all avenues which makes them well-seasoned to make important decisions. As seen in many firms, recruiters too stress the importance of a prospective employee's self-consciousness and self-awareness similarly.

On the contrary, modesty among employees has its very own pros and cons. An employee's modest representation can enhance work engagement and motivate managers to guide them actively. Inversely, modesty can also undermine one's attributes, capabilities, and characteristics. Modesty bears with it a risky chip that can shadow one's real image and lead to lower involvement of their superiors and thus hinder task performance. Keeping in mind this two-faced nature of modesty raises the question of its effects on one's task performance.

SOME RULES ARE BETTER LEFT UNSAID

In mundane words, citizenship behaviour from a business standpoint is used to describe the positive behaviours that are expected but aren't explicitly stated for the employees to follow. However, these sets of behaviours do cater to the smooth functioning of an organisation.

Out of the five organisational citizen behaviours, helping and voicing are two of them where modesty and humility can be easily linked. They are both affiliating and challenging and are crucial across workforces in dynamic environments.

People who wear their humility on their sleeve, tend to see their own worthiness as well as others. They complement, encourage, and support subordinates while being self-aware of their highs and lows. Employees like these strongly support equal treatment for all and are known as egalitarians. For example, in past studies of humble world leaders, those who believed in running a country by listening to the needs of the people, and putting the people's needs first, were successful and loved – making their helping and voicing behaviour closely related to their humility.

However, citizenship behaviour is a little more complex than that when it comes to being modest. Modesty comes along in one when they are often trying to skip past the spotlight, and helping a colleague might be viewed as an uninvited guest. Whereas, when it comes to voicing their opinions in a work environment, once again, it carries along a risk of exposure and too much attention, and so might be a big 'No' for such employees.

LEGALLY YES, ETHICALLY NO

There might come a time when every manager or employee has to decide to do the right thing and suffer a loss, or engage in wrongdoing but benefit the organisation as a whole. When this comes down to violating societal norms or behaviour, it's called unethical pro-organisational behaviour or UPOB. It's often said that UPOB is for the betterment of all in the organisation, and is done with a good sentiment at heart. But, typically, UPOB might be adverse for a firm in the long run.

In an enterprise, humble managers recognise and put their beliefs in a greater entity like laws, and regulations and seek the good of all. Moral principles play a big part in a humble employee's personality, and when it comes to UPOB, they might stray far away from it, as it clashes with their conventional social perspective.

Inversely, modest managers have a strong sense of self-protection and care a lot about how they are viewed by their peers. When it comes to taking a risk, they are more sensitive towards it as it can increase or decrease their acceptance across the organisation. Protecting themselves comes first and they are more likely to play a part in UPOB.

INNOVATION: NOT AN UNDERLYING SKILL, BUT AN UPROOTED SELF-VIRTUE

In this post-crisis world, being innovative and creative is encouraged and sought after across many industries. As and when a trend flows into a company-specific business, innovative organisations have recently been successful by adapting to it and therein, staying in the corporate race. But, behind all the innovative faces, comes an open mindset of every member of the firm.

While recruiting, it's this company culture that hiring managers seek, but oftentimes it's hard to assess innovation amongst the young crowd. Furthermore, there arises a question of whether an employee's character plays a big difference in their innovative thinking.

Looking at past research, innovative behaviour and personal values in an employee can be closely linked. For example, an open-minded thinking process is observed in those individuals who welcome others' feedback, learn through their superiors and handle criticism well. These are also the same traits observed in an employee who displays humility in their day-to-day activities. That being the case, it's evident that innovation blends in well with a humble person.

On the other hand, modesty might just trigger a negative correlation with innovative behaviour. Innovation drags in attention which is the biggest non-negotiable factor in books of a modest man. Moreover, innovation is a risk where failure follows closely, which in the minds of people reduces one's attractiveness and appeal, and thus is a task modest people won't adapt to.

HAIL THE HUMBLE MANAGER

For the newest generation, being in a workplace driven by confident, charismatic, and highly persuasive leaders is the trend. While applying for jobs, every applicant upskills themselves, improves their CV, and prepares their selling pitch. But they often forget to drink their daily dose of encompassing values such as integrity, humility, and respect.

The personal section of an interview, where a hiring manager tries to magnify an employee's values and beliefs is easily ignored by the applicants because they believe they have the accountability, commitment, and dedication required for the job. Even so, it is as or even more important than the technical screenings of an employee screening process.

Professor He Peng's research benefits not just hiring and business managers, but also those young applicants failing to cross their tough and gruelling interview processes. Through this detailed comparison between humility and modesty on workplace productivity, it's evident that taking up the act of being humble will go a long way.

When analysed across the multiple dimensions of job performance, modesty is observed to be positively related to just one factor of unethical pro-organisational behaviour. As the modest employee is driven by their motive of protecting themselves first, they are likely to give into any kind of risk to maintain their image and will participate in unethical activities, even if it's socially unethical.

Whereas humble employees positively correlate to task performance, helping, voicing, and innovative behaviour as well. Humility comes out above and makes it clear that when combined with modesty, it could affect one's job performance negatively to a large extent. That's the core confusion that this research solves. Assuming humility and modesty to be synonyms might work in daily life. But when these attributes contribute towards work performance, one is better than the other – and definitely, it's humility.

So, to all managers – don't sell humility short. It plays a vital role in one's contribution and works as a helping hand while growing your business. ///

KEYS TAKEAWAYS

- □ We tend to think that humility and modesty are one and the same. Humility is a reflection of one's willingness to underline their shortcomings, to compliment others' vigour, and to be open to criticism from their peers. Contrastingly, modesty is defined as a discrete form of self-portrayal.

- □ Strong evidence over the years has implied that humility has been at the core of effective leadership, while modesty is the backbone of corporate advancement.

- □ Those perceived as humble often have a continuous learning attitude bringing out their very best when dedicated to a task. Humble employees are well-aware and can analyse their weaknesses, while being open to feedback from all avenues which makes them well-seasoned to make important decisions.

- □ An employee's modest representation can enhance work engagement and motivate managers to guide them actively. But modesty can also undermine one's attributes, capabilities, and characteristics and can hinder performance

- □ When given a task, an employee's personality plays a big role in their work behaviour. And for managers, it is imperative to understand their team's distinctive patterns.

- □ Moreover, making use of this observation, managers must seek to support their subordinates to increase productivity and contribute towards core tasks, while keeping their distinct style of functioning in place.

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FOR BETTER OR FOR WORSE – THE IMPACT OF MANAGERIAL DECISIONS ON CONFLICT RISK

An increasing number of places around the globe face the risk of turbulent and even violent conflict. Do managerial decisions impact inter-group relations and the risk of conflict? How do impacts flow from the boardroom into the broader society? Professor **Brian Ganson, Stellenbosch Business School** shares his research into the issues.

> **"**
>
> A company's choices matter not only locally, but also in the broader conflict system by shaping intergroup relations.

From an interview by Prof. Adrian Zicari, ESSEC Business School-Council on Business & Society. **Related research:** *Business and Peace: The impact of firm-stakeholder relational strategies on conflict risk,* Brian Ganson, Stellenbosch Business School, Tony L. He, Rutgers University, and Witold J. Henisz, University of Pennsylvania. Academy of Management Review, 2022, Vol. 47, No. 2, 259-281.

AZ: When I read the research paper, the first thing that strikes me is the counterintuitive notion that business in conflict-affected areas does not necessarily help to promote peace. I would have said that business always helps peace.
Brian Ganson: Unfortunately, the evidence is to the contrary – that large companies and large investments in fragile places tend to reinforce conflict dynamics, rather than make them better. These are places where politics and the social order are still strongly contested. They may be post-conflict areas from the perspective that the shooting has stopped. But they are not post-conflict in the sense that there is a broad social consensus on what the economy needs to look like. The stronger evidence is that if we're not very careful, we're pouring fuel on the conflict fire. There's a high risk of making things worse.

AZ: You explore many situations. Usually these companies are big firms – not always but frequently – and I imagine many are multinational firms. They are also sometimes extractive firms, let's say mining, or manufacturing firms that had invested in a plant before the conflict?

Brian Ganson: The order of business is first, extractives: oil, gas, minerals, plantation agriculture, things that can be quickly produced and exported. Sometimes, if the country is lucky, there will be some industry that builds up around that: maybe Volvo or Scania come, and they assemble some of the trucks that are going to be used for the mine locally. And of course infrastructure, because there's an interest in rebuilding or extending road networks, electric networks and the like as foundational pieces of the economy.

Post-conflict investment is skewed towards such large projects. Finance looks at the world through the perspective of financeable projects and bankable deals, and there's no incentive for an international banker to pursue $500,000 projects. They are looking for the $500 million project. This is not necessarily what is optimal for peaceful and inclusive development, which is often better driven by creating opportunities for the vast majority living in the informal sector.

LOOKING BEYOND THE HORIZON

AZ: I also imagine there's an issue of investment horizon. I remember in a country in Latin America, a colleague of mine telling me that for some crops (e.g. coffee), you need to wait years, while people need to eat now. You need to find ways to bridge that long term horizon.

Brian Ganson:
I was in Sierra Leone in 2010, and the big excitement in one region was having people enter the nut export economy by encouraging them to plant trees where their crops used to be. When I was back there seven years later, the market had shifted, and people who had cultivated trees for seven years were now cutting down nut trees for firewood. That did not make Sierra Leone a more peaceful place.

So, there's not only the time horizon, but the risk horizon. We have to remember that people in some of these places are living very close to the edge. They are subject to all sorts of health and financial risks. We really have to stop and ask ourselves whether we have enough confidence that a cash crop is going to have a global market for the next 40 years, such that we can ethically push people away from food crops into export markets. Because if Europe sneezes, they die of hunger.

In fact, there's been important work done on exactly this, suggesting that because of the strong interconnection between European markets and export crops in Africa, the simple fact that Europe had a lockdown for COVID meant that many thousands of people in Africa died of deprivation as their livelihoods disappeared. There was nothing malicious intended; but we all the same need to take responsibility for the inter-relationship of markets and therefore the very real chance that economic shocks will hurt those who are already living on the margins of society.

The same is true when a town builds up around a major investment, and then the company shuts operations for purely economic reasons—not because they weren't profitable, but because they weren't profitable enough. This can have devastating consequences for human security.

Unfortunately, we know that as much as we like the efforts of the sustainability community, and celebrate fair trade initiatives and the like, the usual practice in the majority of markets is that profits remain the driver of the company. If oranges get too expensive in South Africa because we're trying to pay a living wage, well, the buyers move to a country where that's not the case. We're still engaged in a race to the bottom in many industries. Maybe we need to address those price pressures first before we engage in large scale investments and potentially risky economic transformations.

COMPANIES AND THEIR ECOSYSTEMS

AZ: Something that I also find very interesting is your idea of horizontal inequalities, a concept I was not familiar with.

Brian Ganson: One of the contributions of our paper was to formalize the absorption of horizontal inequalities into the management literature. It is a concept that is already well developed in political economy – we didn't invent it –

but hopefully we helped to make it visible to a managerial audience by saying: "Wait a minute. Destructive conflict can be understood as intergroup contestation over social, political and economic resources".

If we can look at our decisions through that lens, we have a much higher predictive capacity as managers and policy makers with respect to conflict risk. For example, we can say: "All benefits seem to be flowing to one group. The risks and the costs seem to be flowing to another group. That should tell us a lot about whether or not this is going to be a stabilizing influence, or a destabilizing influence."

AZ: Which leads to the remedies or ideas put forward in your paper asking for a closer involvement of the company in society.

Brian Ganson: Right, at two levels. There's been a lot of work over the past decade on what we might characterize as company-community relations. How is it that one oil firm seems to have a higher quality of relationship with its neighbouring communities in the Niger Delta than three other oil majors who also claim to be attentive to those issues? And so the first level is the study of the micro dimensions of business and peace, a company in its immediate environment. There's really solid work telling us that collaborative analysis, joint planning, shared decision-making, and good conflict resolution make a difference.

What is a little different in this paper is that for many years we've asserted – particularly those of us who have done deep dives into particular places – that the impacts of a company and its approaches to stakeholder relations are broader than just on its surrounding communities. Mining in Peru, agriculture in the Philippines, even solar power in South Africa seem to reverberate broader than their immediate environment.

The paper really started with curiosity. How can it be that a decision of a manager about how she manages her local stakeholder relations reverberates into the broader society? What is the mechanism of action by which my bad relations with my neighbour can have discernible impact on political and social relations at different systems levels? Even quite far away from where I am? And that's what the paper digs into.

That's where the power of horizontal inequalities was demonstrated. They help us recognise that our group memberships shape our understanding of the world, shape what we see as good or bad, shape our willingness to settle conflict by peaceful or less peaceful means. Then we see that each of us is not only an individual affected by managerial decisions, but a member of a group affected by them. Putting these together, we start to understand that a company's choices matter not only locally, but also in the broader conflict system by shaping intergroup relations.

TAKE AWAY THE THINGS THAT MOST HOLD US BACK FROM COLLABORATION

AZ: Which is very promising, I would say. Business can contribute to peace. This matters to us, educators, and to our students, who are going to be managers in the future. Somebody may say: "Well, business is business. You just buy better quality from the cheaper price, and there is no more than that". One would respond: "Well, yes, we are doing business, and at the same time you are enabling development and supporting a community." We are not sure that we are now giving this background to our students.

Brian Ganson: Right. We have the two strands of stakeholder literature. On the one hand, the instrumental stakeholder approach, which asks, "how do you build your social license to operate?" Then we have a normative strand that says: "You should be thinking about your impact on society."

Our work takes that a step further and says: There are strategies that companies commonly pursue, and unfortunately the weight of the evidence indicates that these strategies make it harder to stabilize already unstable places, and make it less likely that groups in society will come together around common challenges.

That reverberates, I think, well beyond the conflict context in which this paper is focused. If we want citizens to come together around issues of climate change, if we want them to come together around issues of democratic accountability, is that possible where business is driving wedges between people in other ways?

The paper suggests that the answer is no. The first step to addressing conflict in the system is to take away the biggest irritants, to take away the things that are most holding us back from creating space for the collaboration, for the joint action that we all know is both imperative and possible as human beings. We have come together at different junctures of our history to address grand challenges. But the resurgence of populism and anti-globalization, or of anti-immigrant sentiment in many places, reminds us that it's so much easier to break things than to build them.

AZ: Last question. Well, your paper is a theoretical paper, of course, but is there an example that you feel is emblematic, or even, an example to follow?

Brian Ganson: You mean if we were doing it right?

AZ: Yes.

Brian Ganson: Yes. I am always a little bit amazed by the ISAGEN case. ISAGEN was at the time this story is told a parastatal power producer in Colombia. It really believed that it was their duty to bring electricity and development to everyone. That "everyone" even meant people living in guerrilla-controlled areas. There was an astounding civic commitment, that "if we say we're the electric company for the country, then we have to be the electric company for the whole country, even though we're at war".
Then, they went in with an enormous amount of patience and humility. They didn't put together a plan saying, "This is how things are going to happen," or, "Look at our great idea." They went in and said, "Who's done good work here? Who has figured out things that we're going to need to learn from, and to engage with issues we'll need to engage with?"

They looked at issues like citizen-army relations that were well outside the ambit of a normal company — even a company thinking about sustainability. They said, "Look, if the biggest question on people's minds is army-citizen relations, then we can't ignore it. The fact that we're not directly implicated in it doesn't matter, because if we don't all work together to fix it, other things are going to be harder to fix as well".

And so, with great patience and great humility over the course of years, they built consensus around the project. Then they built an accountability system around the project to make sure that, first of all, things were going according to plan, and of course, to confirm that it was a good plan delivering the desired outcomes — that circumstances hadn't mandated a change in direction.

The result of this is an environmentally-sensitive power plant that is helping development move forward in an area where formal governance was to say the least, highly, highly contested. I think the commitment, the patience, and the humility were remarkable. ISAGEN had the willingness to understand that shared value requires shared power. It's not enough to consult with you — I have to give you a voice and a vote at the table.

AZ: Yes.

Brian Ganson: You say, "yes," but in reality, most processes don't take this approach. Even if we look at the due diligence laws that are emerging across Europe, all of them say, "The company will make an assessment." They don't say, "The community will assess the company." They don't say, "The local government will assess the company and its impacts together with everyone else." It still leaves the locus of power firmly with the shareholders, not the stakeholders in the social outcomes.

As much as there are wonderful lessons in the ISAGEN story, it also points out the challenges for peace-positive private sector development. It is hard to imagine this approach being adopted by a profit-seeking enterprise. This is because there needs to be a willingness to say, "Oops, we need another year to talk with each other. We need to stop construction, because there's too much conflict around it. We're going to work on something else in the meanwhile."

As soon as the company makes this socially-responsible decision, we can imagine the fall in the project's NPV (Net Present Value) because of a one-year delay in project completion where there's been a $50 million front-end investment. Yet, that's what we have to be ready to do, if we're going to be peace- and development-positive.

The good news from our research that may be easier to digest is that there are theoretically well-grounded, empirically well-supported default strategies that managers can pursue when a company operates in a difficult place. As the paper lays out, managers in conflict-affected areas should presumptively tilt their stakeholder relational strategies towards the convening of members of different groups in conflict; the eroding of fault lines (the key drivers of conflict) within the firm's stakeholder network; and the support of helpful brokers in the broader societal network.

These are a set of strategies that are at the same time going to lower the tension between the company and its stakeholders, but also tend not to exacerbate problems in the broader society.

You've heard the asymmetry in my reflection and so I want to just acknowledge and name that. You can improve your local context. It's unclear whether you can improve the broader societal relations, but you can at least set the standard for yourself of doing no harm by not making them worse.

AZ: Professor Brian Ganson — thank you very much. ///

- Large companies and large investments in fragile places tend to reinforce conflict dynamics, rather than make them better. These are places where politics and the social order are still strongly contested.

- Post-conflict investment is skewed towards large, multi-million-dollar projects, with finance looking at the world through the perspective of financeable projects and bankable deals. This is not necessarily optimal for peaceful and inclusive development – better driven by creating opportunities for the vast majority living in the informal sector.

- We need to take responsibility for the inter-relationship of markets and the very real chance that economic shocks will hurt those who are already living on the margins of society.

- Even though there are sustainability and fair trade practices, the usual practice in the majority of markets is that profits remain the driver of the company. We're still engaged in a race to the bottom in many industries. Maybe we need to address those price pressures first.

- For large companies and their managers, collaborative analysis, joint planning, shared decision-making, and good conflict resolution in a community in which they operate make a difference.

- Each of us is not only an individual affected by managerial decisions, but a member of a group affected by them. Putting these together, we start to understand that a company's choices matter not only locally, but also in the broader conflict system by shaping intergroup relations.

- The first step to addressing conflict in the system is to take away the biggest irritants that hold us back from creating space for the collaboration and joint action.

- We have come together at different junctures of our history to address grand challenges. But the resurgence of populism and anti-globalization, or of anti-immigrant sentiment in many places, reminds us that it's so much easier to break things than to build them.

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TRACEABILITY VS SUSTAINABILITY: SOPHIE'S CHOICE?

> **Having the technology at hand, even a greener one, is not enough.**

Debajyoti Biswas, ESSEC Business School, Hamed Jalali, NEOMA Business School, Amir H. Ansaripoor, Curtin Business School, and Pietro De Giovanni, Luiss University and X.ITE Research Center examine whether the benefits of traceability are worth the costs.

From a time when produce was fresh, local and bio by default to now where all these have become labels for products, supply chain management has undergone a massive transformation. Consumers are increasingly demanding transparency in the supply chain. This demand stems from both the desire to consume quality products and the skepticism of the supply chain itself.

In today's supply chain management, traceability is a crucial factor. It matches consumers' expectations in terms of goods safety, responsibility, and quality with the supply chain members' actions and processes. But there is also a cost, both literally and metaphorically, in implementing traceability in the supply chain.

BLOCKCHAIN: FLAGBEARER OF TRACEABILITY

Blockchain is the go-to means to achieving traceability in the current supply chain market. Quite literally, Blockchain refers to a chain of interconnected blocks each with an individual

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"cryptographic fingerprint". Since the data is decentralized and the individual blocks are interconnected, Blockchain mitigates the problems of fake data, user privacy, and data security.

Numerous companies have already implemented Blockchain in an effort to increase transparency and traceability in their supply chain. Although it is most commonly used by industries that are prone to counterfeiting, such as luxury goods and wines, and by the food industry, other industries such as retail, manufacturing, etc. are also recent adopters.

Blockchain is not without its problems. There are two main costs of implementing Blockchain: the literal monetary cost and the metaphorical environmental cost. While Blockchain reduces some costs associated with supply chain management, implementing Blockchain by itself is a significant cost. However, the monetary cost is not the major worry for the stakeholders.

TRADE-OFF: TRACEABILITY VS SUSTAINABILITY

The highest cost to consider is the environmental cost of implementing Blockchain itself. The technology consumes a tremendous amount of energy for its functionality – making it a highly contentious issue in current discussions regarding climate change and global warming. Furthermore, it is less energy-efficient than traditional systems resulting in high environmental degradation.

The research results from Debajyoti Biswas and his colleagues are a showcase of the business reality the world has been facing for the past decades. It should come as no surprise that, in most cases, the bottom line of the issue is the profit and loss statement of the company. However, not all companies have this liberty.

The onus of the cost as well as the environmental impact lies disproportionately on the retailer who is in direct contact with his customers. The suppliers, meanwhile, do not face difficult decisions except when there is a particularly high amount of environmental damage directly associated with them.

This imbalance affects the implementation of Blockchain technology by the retailer. While it might be wise to assume that retailers will be inclined to implement Blockchain when there is a high level of consumer distrust of the company, this research proves otherwise. When the level of distrust is high, it is difficult to recover from that even with the implementation of Blockchain.

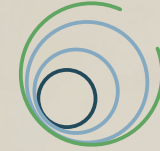## GREENER TECHNOLOGY FOR A GREENER WORLD

There is no doubt that Blockchain is a promising and effective technology in operations management. It would be wonderful if there was no need for such a technology with no information asymmetry between companies and consumers. Since we live in a less-than-perfect reality, it is to our benefit to have these measures in place to ensure our well-being.

Current Blockchain technology, however, appears to be technologically handicapped, especially in its ability to consume and use energy efficiently. While it is beyond doubt that Blockchain developers are constantly working to find greener solutions, time is not our immediate ally in this issue.

Having the technology, even a greener one, at hand is not enough. The imbalance of power between various stakeholders must also be addressed for technology to be implemented seamlessly throughout the supply chain. As the saying goes, *'Alone we can do so little; together we can do so much'.* ///

KEYS TAKEAWAYS

- In today's supply chain management, traceability matches consumers' expectations in terms of goods safety, responsibility, and quality with the supply chain members' actions and processes.

- Blockchain is the go-to means to achieving traceability in the current supply chain market as it mitigates the problems of fake data, user privacy, and data security.

- There are two main costs of implementing Blockchain: the literal monetary cost and the metaphorical environmental cost.

- It should come as no surprise that the bottom line of the issue, in most cases, is the profit and loss statement of the company.

- The current Blockchain technology, however, appears to be technologically handicapped, especially in its ability to consume and use energy efficiently.

- Unintuitively, research shows that with very high distrust of the product, even Blockchain may not be effective in mitigating it.

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INTERNATIONAL PERSPECTIVE

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CURRENT SCHOOLS

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N°23

BACK TO THE FUTURE?
Leadership, governance, and crisis
The impact of ICT on social connections
Integrity as a strategic solution for firms
Foreign Direct Investment and hot labour markets
UN ecosystem restoration and opportunities for businesses

An alliance with a purpose

WILL PERFECT QUALITY MEAN THE END OF IMPERFECT PEOPLE?

Hirokazu Kono, Professor of Industrial Engineering and Production Management **Keio Business School,** explores the human-or-machine question and contends that, paradoxically, imperfection has a reassuring future.
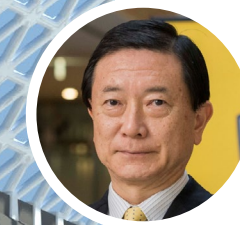
DOES ARTIFICIAL INTELLIGENCE TAKE PEOPLE'S JOBS?

Automated production systems have been a long-appreciated feature of prosperous industries. The list of examples starts from Venetian ship production in the 12th century, followed by French gunsmith Honoré LeBlanc in the 18th century, British naval engineer Samuel Bentham, and the American Eli Whitney, all of who were forefathers of the idea of interchangeable parts and automated production processes. It was Japan in the 1950s and 60s, however, that was to become the world leader in automation and the quality process, especially in the automobile industry. Nissan, Toyota, and Honda were the pioneers in mass-producing high quality, reliable and modern cars that featured standard parts which most competitors at that time considered options.

Nowadays, in Japan as elsewhere around the world, the assembly lines are becoming increasingly automated with fewer and fewer people involved in the process. Nevertheless, robotics and artificial intelligence (AI) do not necessarily mean elimination of people from workplaces. In Japan, companies are likely to shift people otherwise employed on the production line to sales or after-sales sections, thus reducing the direct loss of jobs caused by accelerating technological innovation.

It seems, then, that the benefits of AI outweigh the urge to sound the alarm that people are being supplanted by machines. Indeed, in Japan, AI is beginning to fill the gaps

> It is empathy, understanding and awareness that make the human experience unique.

between employment supply and demand, especially in the service and convenience store sectors that require interaction with customers at night or on weekends. For example, the economy hotels industry, providing low-cost accommodation for people on business trips, is rapidly introducing establishments operated by a single person, and where guests are communicated by automated machines after initial check in. This instance at least implies that people are ready to exchange human contact for convenience and low-price.

However, there remains a sensitive subject. AI has entered many other business domains in Japan, including healthcare and transport. While railway stations are equipped with automated voice communication systems providing information to travellers, hospitals have begun to use robot seals – called PARO – to accompany Alzheimer sufferers (PARO is also being tested by the British NHS). All in all, it seems that repetitive tasks are being overtaken by willing robots.

But such automation also creates problems. Take the introduction of telephone applications in healthcare services for example. A visible benefit for doctors is that they can now oversee multiple patients via the smartphone and computer interface, thereby optimising time and productivity. The drawback, on the other hand, is the toll the doctor pays in terms of stress and workload. In the past there was one patient to deal with at a time – now there are many and they

come almost instantaneously. In a sense, the same problem applies to production management and the automated assembly line. A quality manager is able to address a multitude of issues by using digital solutions – at any time – resulting in the barrier between working time and private life becoming more and more blurred.

PERFECTION OR IMPERFECTION? THAT IS THE QUESTION

There is a general tendency to view machines as purveyors of total quality. However, many reports show that AI can be just as imperfect as the average human. Many companies still suffer from over-production, product defects and quality lower than clients' requirements, despite the introduction of robots and AI-controlled processes. Customer complaints and the burden of stock costs are still rampant, and these cannot be solved by AI alone. Indeed, it looks likely that such problem-solving will require a human form, that is, senior-level and experienced employees using the information and data generated by AI to supply the machines with the troubleshooting answers.

Interestingly, the people-versus-machine debate often arises among young people with surprising results. Keio Business School, one of the internationally recognised leaders in higher education among the business community, sees many young professionals, domestic and international, joining its selective

MBA and EMBA programs. They are generally well-versed in IT and the use of AI, but the vast majority still prefer to visit the production lines for on-site experience and, more specifically, for contact with the people actually working on them.

Moreover, while machines actually produce the product, in many cases humans carry out the final touches. Cars rolling off the production line, for example, are better finished by humans who do a much better polishing job than machines. Another example of finishing touches – we dare to say the final step for perfection – is that of a small company in Tokyo that produces parts for rockets. While the rocket bodies are machine-produced, it was found that humans did better in finalising the nose-cone, the specific round-shape of which cannot (yet) be perfectly crafted by robots.

TOWARDS A PEOPLE-LESS COMPANY AND A PLAYER-LESS GAME?

These examples indeed point towards a negative reply to the question. Then the issue of profit kicks in. Part of the automation argument in the past has laid in the search for profit optimization by tackling the high labour costs in Japan. The most popular solution was outsourcing production to neighbouring China and other south-east Asia countries in the 1990s and early 2000s. The trend, however, is now directing the other way. Rising living standards in Asian countries have

pushed up the labour costs and charges. This, in addition to a favourable dollar exchange rate, means that many Japanese companies are now bringing production back to Japan, an obvious boon to employment expectations despite the surge of AI and automated production.

Hirokazu Kono points out the leaning towards short-term profit in industrialised countries, questioning the justification of it and pointing out the basic need for humans to live and enjoy working. In this he sees a price to pay – even though it could mean high labour charges and taxes – and ensures that this "win-win" argument is instilled in Keio's values and work ethics.

This being said, the temptation to employ more numbers of robots is irresistible, not least due to the dramatically decreasing cost of them. ROI is no longer a worry. Indeed, warehouse stock management is a sector that is experiencing subsequent growth in the use of automated solutions. Here, incoming parts are stocked, picked and then shipped out in massive numbers. In this case, a zero-employee warehouse would pose no problem. However, states Hirokazu Kono, if there is a single worker in such a vast space like a warehouse then this does cause an issue. Imagine. Alone in several thousands of square feet for seven to eight hours a day with no one to talk to. Over time, there would indeed be a very negative impact on the worker's state of health. For Kono, such issues have to be addressed by management leaders in a near future – in light of both benefits and drawbacks.

An analogy that comes to mind when tackling the question of Artificial Intelligence and human interaction is that of sports. Recently, new prototype software was designed for the smartphone that can trace the movements, not of the player, but of the ball itself, in a football game. Information gathered simultaneously from eleven cameras placed inside the stadium gives the spectator a history of the ball's trajectory – making judgement and criticism of a player's performance reliant on the machine.

The same goes for baseball, a sport that has millions of devoted fans in Japan. Prototypes are being finalized that send instantaneous game data to a spectator's smartphone. This provides the strange scenario of tens of thousands of people being present at the stadium but watching the game glued to the screens of their mobiles in order to decide whether to boo or applaud. Professor Kono stresses the importance of people's direct observation in such interactive games: it is the face, the emotions that provide the passionately interesting aspects of baseball, and the raw, natural data that trigger spectators' emotions and reactions. The same applies to the workplace.

TRUST AND LEARN

Despite the speed at which technology is changing our working lives, Prof. Kono asserts the need for a balanced approach in educating students for their future careers. Management science in general inevitably requires increased IT skills and logic to cater for the technical environments and tools used in the company. But production and operations

management, even if caught up in the drive for automation and AI, still has to tackle problems – and this is what counts: getting down to the nitty-gritty on the shopfloor.

When searching for bigger production capacity and greater quality, it is often a question not of which technological solution to use, but of the strategy, methods and impact. If the sales team fails to pay attention to the increase in capacity, then the technological solution becomes meaningless. The same goes for the procurement department when it finds itself having to purchase more parts to cater for higher production, and the finance department when it has to find and obtain the funds to bear the extra costs for parts. A small idea in production can therefore change the whole company structure.

When asked what he would expect of future generations, Dean Hirokazu Kono doesn't hesitate to state: The human touch is indispensable, even in the era of sophisticated automation. Students need to experience the whole structure of a company – from production to sales and marketing – in order to become effective leaders. They also, while being at ease with technology, have to look outside and across borders, and not forget those in less developed areas of the world. It is empathy, understanding and awareness that make the human experience unique.

Also expected is an awareness of the fact that imperfect humans create sophisticated machines which are imperfect themselves, and that things which are beyond a machine's imperfect capacity have to be taken care of – by us, the imperfect workers. ///

KEYS TAKEAWAYS

- Venetian ship production in the 12th century, followed by French gunsmith Honoré LeBlanc in the 18th century, British naval engineer Samuel Bentham, and the American Eli Whitney, were forefathers of the idea of interchangeable parts and automated production processes. In the 50s and 60s, Japan became the world leader in automation and the quality process.

- In Japan, AI is beginning to fill the gaps between employment supply and demand, especially in the service and convenience store sectors that require interaction with customers at night or on weekends.

- When searching for bigger production capacity and greater quality, it is often a question not of which technological solution to use, but of the people, strategy, methods and impact.

- Imperfect humans create sophisticated machines which are imperfect themselves. Things which are beyond a machine's imperfect capacity have to be taken care of – by 'imperfect' workers.

- The temptation to employ more numbers of robots is irresistible, not least due to the dramatically decreasing cost of them. ROI is no longer a worry.

- Having plants managed by a single person or a small, scattered team, will induce issues regarding the impact of low social interaction on people's health.

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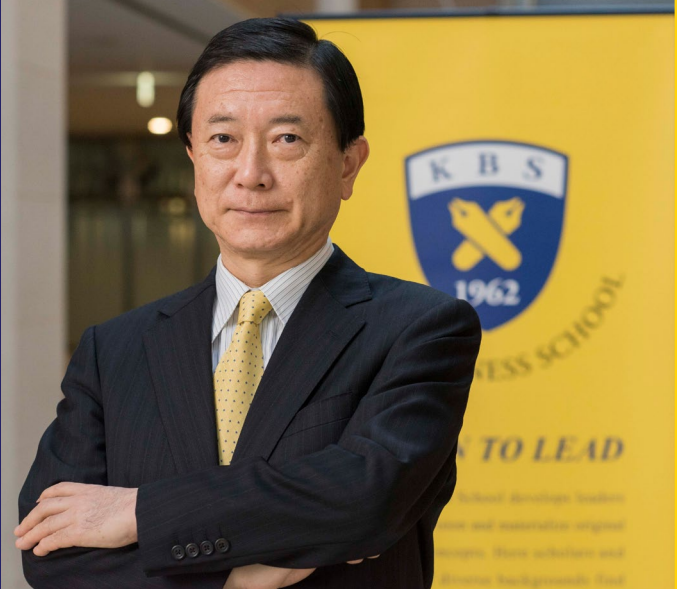
"Education is the way to liberate every human being."

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

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BUSINESS, SOCIETY, PLANET

MOTHERS AND DAUGHTERS IN FRANCE AND JAPAN: WHO INFLUENCES WHO WHEN BUYING CLOTHES?

A daughter is often complimented about how she looks a lot like her mother. But, in today's day and age, is it just the daughters capturing their Mum's looks or the Mum's taking in their daughter's style? Digging deeper from a cross-cultural perspective, Professors **Elodie Gentina, IÉSEG School of Management, Kun-Huang Huarng, Feng Chia University,** and **Mototaka Sakashita, Keio Business School,** explore the clothing consumption practices of mothers and their teenage daughters.

Related research: *A social comparison theory approach to mothers' and daughters' clothing coconsumption behaviors: A cross-cultural study in France and Japan,* Journal of Business Research, Elsevier.

"

> **It is the mother-daughter-culture-conscious brand which threads a tailor-made solution that will find the perfect fit.**

Clothes spending represents an enormous market throughout the world. In Japan alone, a 2014 study estimated that consumers spent JPY 9.38 trillion – equivalent to €83.5 billion – in attire. In France, another study, this time in 2015, set the figure at €41.7 billion. Who were the biggest spenders? In Japan, women accounted for 63% of clothes purchasers. Surprisingly, in France, spending in women's apparel was 36% – lower than for men's clothing but still representing a sizeable consumer budget.

Knowing their markets, who their consumers are and how they behave, are important for the marketers. It allows them to tailor their marketing campaigns, clothes design and even brand image in different countries. And the further the information drills down into the nitty gritty, the better.

Mothers and daughters, for example, are key elements in the purchasing act. Moreover, much research has been carried out to help the marketers – but with a hitch or two. First, former research has tended to focus on mothers and daughters as consumers in one specific country. And second, this research has emphasized the mother's influential role in shaping their daughters' clothes buying patterns – ignoring the potential impact daughters might have on influencing their mothers.

TRY THIS FOR SIZE

Professors Elodie Gentina, Kun-Huang Huarng, and Mototaka Sakashita, decided to tackle this gap in existing research. And they did so by choosing to examine the mother-daughter relationship and behaviours in two countries – France and Japan. Using as a basis to their research an online questionnaire, they sent this to 423 French and 309 Japanese mothers having teenage daughters aged 15-18.

Moving up a size, they then analysed the data through 3 lenses: change, social comparison – how mothers see themselves in terms of societal expectations and pressures – and cultural influence – how national behavioural traits underpin the mother-daughter relationship.

ADOLESCENCE – A CHANGING ROOM OF SORTS

For mothers and daughters who have lived the experience, they will readily acknowledge that something changes when a daughter reaches adolescence. Not only physically, but also relationally – everything becomes more complex.

For mothers it is a time of uncertainty. And sometimes of difficult acceptance that their daughters are fast drifting away from childhood to something as awesome as adulthood. This teenage transition necessarily brings change in mothers who see themselves also having to face swapping identities – from loving, protecting and maternal role models to new-found femininity and freedom.

For many mothers, a daughter represents a deep type of extended self and it comes as no surprise that daughters can serve as a kind of 'new self' or new image that can help them redefine their own roles and identities. Moreover, daughters can serve as 'objects of comparison', influencing what clothes and fashions their mother buy, which new shops to explore and which new brands to try out.

To make the change during this time of transition and uncertainty, both mothers and daughters also compare themselves against others. This helps them to identify models, copy behaviours they find positive in others and take

on their new identities. As such, what more effective way to mix with others and compare than in a mall or high street – and connecting as mother and daughter by going clothes shopping together.

DO YOU THINK IT SUITS ME? COMPARISON AND THE INFLUENCE OF SELF-ESTEEM

Humans compare themselves to others – a phenomenon called social comparison. And they do this both at a group and individual level. A group might be a club they belong to or even society as a whole. As such, if mothers were to compare themselves against what society expects of a young and attractive physical appearance of a woman, they would most probably feel pressure to adopt the clothing that reflects their age group.
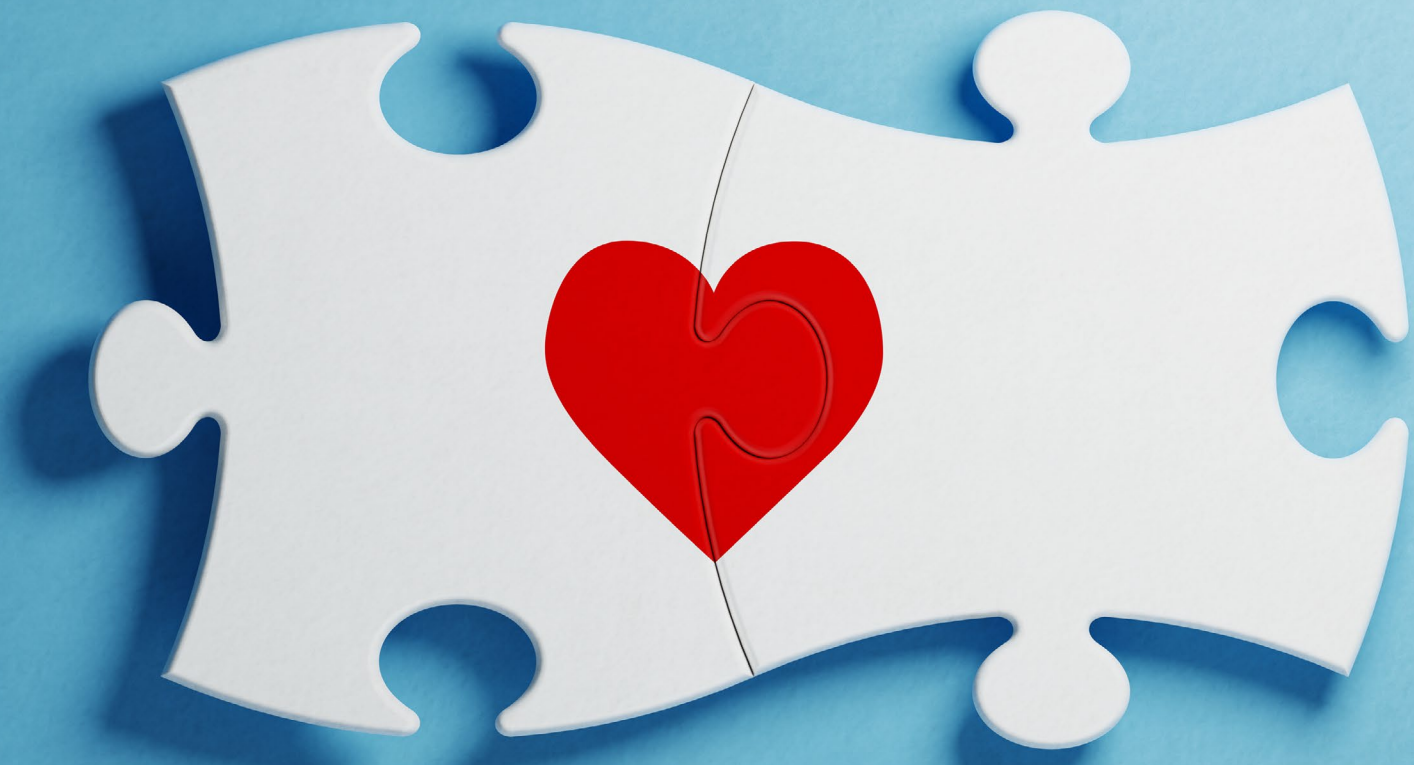
But we also compare ourselves to individuals – other people who are similar to ourselves. For mothers, this might well include their daughter. It is interesting to note that the degree of comparison depends on one's self-esteem.

Mothers confident in their worth and abilities will likely turn to their daughters at an individual level in the transition phase of their daughter's adolescence.

But they will also keep a sharp eye on other women in society – middle-aged mothers, keep fit gurus, intellectual figures, women leaders and CEOs – both comparisons enabling them to form a clear picture of the new, enhanced feminine image they wish to convey to others.

STRETCHING IT TO NATIONAL CULTURES

There are some universal values that cut across cultures, wherever in the world you might be – shelter, protection, caring for family members among them. As such, both French and Japanese parents share many of the same goals and hopes for their children, especially when it comes to education and getting a good job to ensure financial security.

But western and eastern parents do differ radically in how they promote these goals and identify with the collective or individualist approach to asserting them. Using, among others, Hofstede's work on how different cultures and countries cope with hierarchical relations and decision-making – something he calls power distance – eastern cultures tend to be collectivist in nature.

That is, the family, or group has precedence. Subsequently, people are encouraged to depend on each other, integrate socially, abide by rules and respect adult authority. Indeed, Japan falls into such a cultural dimension. And this has deep impact on how a child transitions to teenager and then to adult.

On the other hand, parents in western and individualistic cultures think it only natural to encourage the notions of independence and self-reliance in their offspring. Being assertive and expressing their own ideas also carries importance, as western parents seek to prepare their children to fly of their own wings, survive and prosper in the big, wide world. In this way, western teenagers become vectors of influence on their parents – and also use various strategies, sometimes sophisticated (not to say at times Machiavellian) to achieve this.

So teenagers in Japan might tend to influence their parents by persisting and nagging in a one-way dialogue. Inversely, western adolescents will try bargaining and reasoning – which leads to the conclusion that they can often influence their parents' consumer habits and behaviours.

MOTHERS AND DAUGHTERS

Coming back to Gentina, Huarng and Sakashita's research, this can mean that French mums will accept their daughters' ideas and opinions on what to wear as legitimate in order to obtain advice. French daughters are also more likely to introduce their mothers to new fashions by taking them along to discover new shops, styles and brands. And what if daughter makes a remark or questions her mother's taste? No sweat – it's all part of the mentoring dimension.

Japanese mothers and daughters are of a different approach. Having learnt to sail cautiously in social waters, they tend to be more self-aware and sensitive to how others see them. With collective values in mind – the family, the group – Japanese mothers will tend to seek models and comparisons with what is considered to be the social norm, be more authoritative and continue to view their daughters much as little girls. Fashion expertise, then, is not expected of a daughter. And, Japanese mothers will be less likely to change their clothing styles, shops or brands due to their daughters' influence.

However, the good news is that because of the value of depending on and closeness to others, the Japanese mother-daughter bond remains strong. And according to studies of Japanese mothers, 51% of them find most fun in shopping together with their teenage daughters at department stores, and 42% shopping with them at outlet malls. This tells us that Japanese mothers and daughters actually spend a lot of time together shopping.

A PERFECT FIT

The results of Profs Gentina, Huarng, and Sakashita's research provide interesting insights into the intercultural comparison of mother-daughter spending behaviours. And this will please the marketers. Indeed, it was proven that the nature and level of social comparison – comparing to individuals or groups – does trigger different purchasing habits for teenage daughters in different cultures.

For Japanese mothers, those with a high level of self-esteem will compare themselves to both individuals and groups, making shared shopping sprees and co-spending with their daughters more likely to occur. With the French mother, it is through comparing with other individuals that not only co-consuming occurs but also change in behaviour. When the individual is close – such as a daughter – the psychological impact for changing image and style of clothing is much stronger.

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For marketing professionals – clothes brands, manufacturers and agencies targeting different countries – taking into account how cultural backgrounds can shape mother-daughter spending can prove highly beneficial. Such differences enable them to sharpen their marketing strategies to specific markets and appeal to mothers in specific countries.

It may also help struggling brands too. Aiming to break into an Asia-Pacific market that is shaped by collectivist values, they can emphasise bonding and the strong emotional ties that are created when mothers and daughters shop together. Product development – for instance, special travel packages or cosmetics for mother-daughter pairs; store design and layout; pricing – for example, marking up daughters' product that will be purchased by their mothers; and comms strategy, are further examples of where Gentina, Huarng, and Sakashita's research into Japanese mothers and daughters could give an advantage.

And for marketing professionals dealing with individualistic cultures like France, the research points to laying greater emphasis on the strong influence of daughters over their mothers. Serving as important comparison and role models, daughters are apt in helping mothers change their clothing styles, brands and stores.

Here too, marketers can take advantage of this knowledge to tailor new garments and accessories that relate to a daughter's ideal image of a mother. As for channels, online sites can be developed to attract daughters who in turn alert their mums to new trends and ways of purchasing. In terms of pricing, the reverse of Japan could happen – putting a lower ticket on an item destined for mothers in order to appeal to daughters' pockets. And finally, communication strategy might focus on using social media to target daughters.

So what of the billions women spend per year on clothes in Japan and France? The markets seem to be set on growing. With more brands entering the competition for the bigger pie. If we take the researchers' findings wisely, it is the mother-daughter-culture-conscious brand which threads a tailor-made solution that will find the perfect fit. ///

KEYS TAKEAWAYS

☐ Clothes spending represents an enormous market throughout the world. Knowing their markets, who their consumers are and how they behave, are important for the marketers, allowing targeted marketing campaigns, clothes design and brand image.

☐ Mothers and daughters are key elements in the purchasing act.

☐ A daughter represents a deep type of extended self for mothers: daughters can serve as a kind of 'new self' or new image that can help them redefine mothers' own roles and identities.

☐ Daughters can serve as 'objects of comparison', influencing what clothes and fashions their mother buy, which new shops to explore and which new brands to try out.

☐ Both mothers and daughters also compare themselves against others. The shopping spree provides a perfect, intimate moment to do this.

☐ Mothers confident in their worth and abilities will likely turn to their daughters at an individual level in the transition phase of their daughter's adolescence. But they will also keep a sharp eye on other women in society who are role models.

☐ Western and eastern parents do differ radically in how they promote the goals and hopes they have for their children and identify with the collective or individualist approach to asserting them.

☐ For marketing professionals dealing with individualistic cultures like France, research points to laying greater emphasis on the strong influence of daughters over their mothers.

☐ In the Asia-Pacific market shaped by collectivist values, marketers can emphasise bonding and the strong emotional ties that are created when mothers and daughters shop together.

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DISABLED EMPLOYEES: WILL WORKING FROM HOME OVERCOME DISADVANTAGE?

Kim Hoque, Professor of Human Resource Management, formerly at **Warwick Business School,** now **King's College London,** researcher and spokesman on disability and employment in the UK, looks into how the pandemic provided a quick fix for employees with disabilities – and how to change this short-term advantage into lasting and effective action to reduce both disadvantages and the disability employment gap.

By Kim Hoque. With kind acknowledgements to Warwick Business School CORE Insights, originally published under the title Will Working from Home Help Disabled People Overcome Disadvantage?

One of the few positives to emerge from the COVID-19 pandemic has been the opportunity for many employees to work from home. Born of necessity during lockdown, workers have found their new working patterns have improved both their productivity and their quality of life.

Of course, not all staff have benefitted equally. Factory and construction workers cannot do their jobs from home. Nor can many of those in the healthcare, retail and leisure industries.

Nonetheless, it had been widely assumed that disabled employees would be among the biggest beneficiaries of the trend in teleworking.

> " Prior to the pandemic, disabled employees were less likely to work from home than non-disabled employees.

A QUICK FIX FOR DISABLED EMPLOYEES, BUT NOT ENOUGH

Disabled people face intractable environmental and cultural barriers in the labour market. Barely half of disabled people of working age are in employment, compared with over 80 per cent of non-disabled people. This represents a disability employment gap of approximately 30 percentage points, which is compounded by a 14 per cent pay gap (up from about 11.5 per cent in 2014).

At the outset of the pandemic, many hoped that an increase in working from home would improve these outcomes as disabled people would be able to avoid inaccessible transport systems and workplaces. Indeed, many disabled employees who were able to work at home during the pandemic found it to be a positive experience. A poll published by the Trades Union Congress in October 2021 revealed that 90 per cent wanted to continue working from home at least some of the time.

However, assuming that the shift towards home working in the post-pandemic era represents a quick fix to the disadvantage facing disabled workers would be a grave mistake and a distraction from the need for more concerted government action.

This is the conclusion that Nick Bacon of Bayes Business School and I reached, based on our recent research drawing on nationally representative data from 1,552 workplaces and 14,312 employees within the government-sponsored Workplace Employment Relations Study.

WHY WON'T WORKING FROM HOME SOLVE DISADVANTAGES FOR DISABLED EMPLOYEES?

Our analysis, published in the British Journal of Industrial Relations, found that prior to the pandemic, disabled employees were less likely to work from home than non-disabled employees. Just 12.8 per cent of disabled people stated that in the last 12 months they had either worked from home or that the option to work from home was available to them, compared with 19.3 per cent of non-disabled people. This is not what we would expect if working from home were to benefit disabled people's employment opportunities.

A key explanation for this disparity was disabled employees' disproportionate exclusion from the higher-paying or managerial roles in which working from home is more widely available. Even controlling for this, to enable a more like-with-like comparison, we found disabled employees were no more likely to work from home than non-disabled employees.

In addition, we found that while working from home was associated with a more positive in-work experience for both disabled and non-disabled employees, specifically in relation to levels of job control, job-related mental health, job satisfaction, and organisational commitment (but not work-life balance), it was not *disproportionately* beneficial for disabled employees. As such, it did not narrow the gaps between disabled and non-disabled employees regarding their experience of work.

This suggests that if working from home becomes more widespread following the pandemic, this would not benefit disabled people to a greater extent than non-disabled people. Therefore, it would not reduce disability employment disadvantage.

This in turn raises the question as to why working from home might not have the positive effects for disabled people that have been ascribed to it from some quarters.

One argument is that the anonymity working from home provides might not be to disabled employees' advantage. It is possible it will reduce the likelihood of barriers being addressed, as well as reducing opportunities to for employees to challenge managers' unfounded stereotypes concerning disabled people's productivity.

In addition, where working from home is on a hybrid basis (as has happened increasingly since lockdown ended), disabled people will continue to face barriers regarding inaccessible transport systems on the days they are expected to be in work. Hybrid working also requires employers to provide adjustments in both the home and the work environment. Should they be reluctant to do this, disabled people may face even more inaccessible workplaces than would otherwise have been the case.

Beyond this, working from home can present technological barriers for disabled employees. This might happen, for example, if the employer's information and communication technologies are incompatible with the assistive technologies disabled employees use at home, or are otherwise inaccessible (e.g., virtual meeting technology without live captioning and non-screen reader-friendly video conferencing software).

Finally, disabled people often experience greater social isolation than non-disabled people. Working from home has the potential to exacerbate this.

WHAT ACTION IS REQUIRED TO HELP DISABLED WORKERS?

As such, it remains imperative that the government does not assume that any increase in working from home post-pandemic will automatically help solve ongoing disability employment disadvantage.

Instead, the government needs to remain focused on comprehensive policy reform. This has been something for which my Disability@Work academic colleagues and I have been striving for some time.

Back in 2016, in collaboration with Disability Rights UK, we published a report for the All Party Parliamentary Group for Disability on how to address the disability employment gap. The numerous meetings we held with government officials to discuss the report's recommendations resulted in the introduction of apprenticeship targets for disabled people in the 2017 Industrial Strategy White Paper, revisions to government and Conservative Party 2017 and 2019 manifesto disability employment targets, reform of the government's Disability Confident scheme, and revision of the Public Services (Social Value) Act 2012 regarding the leveraging of public sector procurement to improve disabled people's employment outcomes.

THE DISABILITY EMPLOYMENT CHARTER TO ADDRESS THE DISADVANTAGE

Not content with these efforts, last year I teamed up with Disability Rights UK; Leonard Cheshire; Scope; the DFN Charitable Foundation; the Shaw Trust Foundation; and UNISON to create the Disability Employment Charter.

This outlines proposals (several of which are underpinned by my research with my Disability@Work colleagues) in nine key areas that we believe the government should implement to address disability employment disadvantage. These include mandatory disability employment and pay gap reporting, reform of the government's Access to Work and Disability Confident schemes, the leveraging of government procurement, and the advice and support provided to both disabled people and employers.

More than 100 organisations have now signed the Charter, including all of the country's main disability charities and the British Paralympic Association; large corporates such as McDonalds, Herbert Smith Freehills, PageGroup, Schroders, and the Post Office; and of course, the University of Warwick (which was a founder member). This sends a powerful message to government regarding the extent of appetite for substantive change across a range of key stakeholders, and crucially, consensus regarding what this change should comprise.

We have ensured the UK government is fully aware of the increasing support for the Charter. Along with the other founder members, I met with Chloe Smith MP (Minister for Disabled People), to discuss the Charter late last year, and she subsequently referred to it in a speech in the Commons as a welcome initiative.

We also held numerous meetings with the Department of Work and Pensions team leading the government's review of Disability Confident, and the Cabinet Office team leading the consultation on disability workforce reporting, drumming home the message that the growing sign-up to the Charter demonstrates the increasingly voracious call for substantive reform in these areas. WBS is hosting a reception in Parliament in June to promote the Charter among Parliamentarians. Approaching 50 MPs have signed up to attend.

In addition, the government's recent announcement of an £18 million package to help develop supported internships was negotiated in part drawing on support from the Charter.

Disabled people have been denied the same employment opportunities as the wider population for far too long. Working from home will not present a quick fix to this.

The time has come for substantive new government measures, as outlined in the Disability Employment Charter, to address the disadvantage disabled people continue to face in the workplace.

Further information on the Disability Employment Charter, including how to become a signatory, can be found at www.disabilityemploymentcharter.org. ///

KEYS TAKEAWAYS

- Many disabled employees who were able to work at home during the pandemic found it to be a positive experience. 90 per cent wanted to continue working from home at least some of the time.
- Disabled people face intractable environmental and cultural barriers in the labour market. Barely half of disabled people of working age are in employment, compared with over 80 per cent of non-disabled people.
- Before the pandemic, disabled employees were less likely to work from home (only 12.8%) than non-disabled employees. This was due to disproportionate exclusion from the higher-paying or managerial roles in which working from home is more widely available.
- But teleworking did not narrow the gaps between disabled and non-disabled employees regarding their experience of work.
- Working from home can present technological barriers for disabled employees (incompatibility of information and communication technologies with the assistive technologies disabled employees use at home; disabled people often experience greater social isolation than non-disabled people).
- The time has come for substantive new government measures, as outlined in the Disability Employment Charter, to address the disadvantage disabled people continue to face in the workplace.

THE IRISH PROJECT ECONOMY: WHEN SELF-EMPLOYMENT RHYMES WITH HIGH-SKILLED INDEPENDENT CONTRACTORS

Professors **Andrew Burke,** Dean of **Trinity Business School, Na Fu,** Associate Professor of Human Resource Management, Ms Yue Sun, Research Fellow, from Trinity Business School, and **Jimmy Sheehan,** Managing Director at **Contracting PLUS** explore the key characteristics of the independent workers who compose the Irish "project economy" and how they contribute to Ireland's economy.

> The *"project economy"* tends to add more value than the *"gig/ task economy"*, both in terms of contract volume and remuneration.

Independent contractors account for a significant part of the labour market. In the United States, a McKinsey study found that 36% of civilian workers were independent in 2021. An increase from the same study conducted in 2016, which concluded that 27% of the US workforce were self-employed. In the EU, the situation is similar. For instance, 12% of the French population is independent, 22% of that of Italy and 9% of that of Germany according to OECD data on the self-employment rate.

However, the self-employment model has often prompted more of a dubious glance, if not outright concern about the insecurity it brings compared to the employee model than anything else. One of the first times light was shed on

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self-employment was with the development of the *"Uber economy"* and its equivalents (Lyft, Deliveroo, etc.), which have exploited the potential of micro-entrepreneurs. As such, the debate has focused on a part, significant, of the self-employed, characterized by job insecurity and a social precariousness.

But these debates do not adequately describe the independent contractor labour market segment, an entire part of which is instead composed of highly skilled and above average paid professionals. Professor Andrew Burke, Na Fu, Ms Yue Sun and MD Jimmy Sheehan's report, Ireland's Project Economy, aims to analyse precisely this part of the workforce.

IRISH INDEPENDENT PROFESSIONALS IN A NUTSHELL

Burke, Fu, Sun, and Sheehan's description of independent contractors is very far from the portrait of the precarious task-based contractors where the common imagination has often depicted.

On the contrary, their study focuses on the independent contractors in Ireland who are highly qualified: 85% of

them hold a higher education degree. Of these, 42% have a bachelor's degree, 38% a master's degree and 5% a doctoral degree. Finally, only 5% of Irish self-employed have a leaving certificate (the remaining 10% have an advanced or higher certificate).

These results highlight two points. On the one hand, the level of independent contractors' education in Ireland tends to be particularly high, which contradicts the idea that these workers constitute an unskilled labour force. On the other hand, the level of self-employed contractor qualifications is also higher than the average level of education of the Irish population. While 85% of independent contractors have tertiary education, 53% of the population aged 25-64 had tertiary education in Ireland in 2021.

These results are also reflected in the professional positions held by these self-employed workers. The study shows that in 2022, 96% of the independent contractors are high-skilled contractors: 20% are managers, directors or senior officials (SOC1); 69% are professionals (SOC2); 5% are associate professionals (SOC3); and 2% are skilled trades[1]. The share

1. The Standard Occupational Classification (SOC) system is a common classification of occupational information. Within the context of the classification, jobs are classified in terms of their skill level and skill content where the lower the number, the higher the skill.

of SOC1s increased by 6 percentage points between 2021 and 2022, while the share of professionals decreased by 6 percentage points. This suggests that a portion of SOC2s were promoted to SOC1 positions and that the number of SOC1 positions increased this year.

Similarly, the conception of the self-employed as precarious workers does not hold true. On the contrary, independent contractors in Ireland are on average better paid than in similar positions as employees. On average, their average daily rate is €565, with a median of €500. These figures vary according to the age of the respondents: while independent contractors over 60 years old have an average daily rate of €650, those under 29 years old are paid €384 on average.

The remuneration is also not the same according to the sectors where they work. The highest rates are in public administration (€762), real estate (€738), construction (€732) and professional activities (€702). In contrast, activities in transport, water supply, agriculture, fishing or forestry are paid below the average for self-employed people.

The reason why the average daily rate of independent contractors is higher than the national average is certainly linked to the risk taken by these workers. Their status offers less job security and social benefits than employees. A higher average salary compensates for this risk-taking. But these lower benefits do not necessarily mean lower job satisfaction.

Here again, the Burke *et al.'s* (2022) report goes against the common idea that self-employment is accompanied by high social insecurity. On average, respondents expressed high job satisfaction: 85% were satisfied with their work; 85% were satisfied with the flexibility of their working hours; 83% with the location of their job; 81% with the possibility of telecommuting; 75% with their pay; 73% with their work/life balance. Finally, 83% said they were satisfied with their lives in general.

The only point that would mar the picture of independent contractors is job security. On average, their contracts last 16 months, with a median duration of 12 months. 44% of respondents only have contract lengths of 7-12 months, suggesting that a significant portion of their business also involves seeking new contracts on a regular basis. Since 2021, however, the average contract length has increased and the number of contracts longer than 24 months is also higher. As such, the stability of their work has improved.

INDEPENDENT CONTRACTORS ARE MORE VERSED IN THE "PROJECT ECONOMY"

Once again, the collective imagination about freelancers and self-employed people tends to have forged the image of workers performing repetitive, short-term tasks. This type of work has a name – gig work.

Surprisingly though, the report reveals that most independent contractors are more accustomed to project-based work.

In fact, 85% of independent contractors are project-based contractors, compared to 15% of gig/task-based contractors. Unlike the latter, project work *"is typically more continuous and engaged with the organization as the contractor tends to work with employees to ensure that the performance targets for the overall project - and not just the freelancer's own input - are achieved"*.

The *"project economy"* tends to add more value than the *"gig/task economy"*, both in terms of contract volume and remuneration. Moreover, it is 7 times more important than the *"gig/task economy"* in terms of remuneration, while it is only 5 times more important in terms of the volume of contractors. Consequently, these results show that independent contractors in the gig economy are on average less well treated than those in the project economy.

However, their situation is not as bad as debates on insecurity and precariousness in the self-employed sector might lead one to believe. In fact, over the years, freelancers working in the gig economy have tended to see their pay catch up with that of project-based contractors. In 2022, their average remuneration is 91% that of the latter. The difference is not significant: on average, project-based contractors are paid €123,925 per year, against €112,282 for gig/task-based contractors.

Generally speaking, the industries in which both types of independent contractors' work tend to require a high level of qualification, as they require a high level of knowledge and skills. The pharmaceutical industry, the information technology sector and financial services account for 48% of the self-employed. Other sectors are telecommunications (3%), insurance (3%), medical devices (6%), life sciences (4%), medical locum (3%), engineering and technical activities (5%) and other services (such as construction, industry, etc.).

A CALL TO NURTURE AND RECOGNIZE THE DISTINCTIVENESS OF THE SELF-EMPLOYED WORKFORCE

If there is one point to be retained from this study, it is that the image usually portrayed of the independent contractor as a precarious worker, always repeating the same tasks, is unjustified. It certainly corresponds to the reality of the freelance market. The Trinity College Dublin report does not deny it. However, it calls for a clearer distinction between these two extremes: on the one hand, precarious workers, who certainly need greater social and labour protection; on the other hand, high-qualified independent contractors.

Without such a distinction, the risk would be to make the independent contracting model lose its appeal. However, it is proving to be particularly interesting for companies themselves, which are increasingly resorting to these self-employed workers. All in all, the report highlights the fact that companies tend to understand more and more the value independent professionals can bring to their business and organization.

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AWARENESS – AND NEW ACTION

Fuelled by the debates on the *"Uber economy"* and the strong media coverage of the precariousness of some self-employed workers, the debate on self-employment has focused primarily on the risk associated with these activities. The Ireland Project Economy report comes to nuance this vision, revealing that most self-employed workers are on the contrary high-skilled, above-average-paid professionals.

But what about other, more society-related findings that are useful – notably the gender gap? The report highlights, for example, the inequality between men and women in access to independent contracting work. In this, it is in line with a widely noticed observation in entrepreneurship in general[2]. Meaning that further work is called for on the world of self-employed to make it both more equal, attractive and more productive. ///

KEYS TAKEAWAYS

- ☐ Independent contractors account for a significant part of the labour market. In the United States, a McKinsey study found that 36% of civilian workers were independent in 2021.

- ☐ Independent contractors in Ireland are highly qualified: 85% of them hold a higher education degree. Of these, 42% have a bachelor's degree, 38% a master's degree and 5% a doctoral degree.

- ☐ 96% of the independent contractors in Ireland are high-skilled contractors: 20% are managers, directors or senior officials (SOC1); 69% are professionals (SOC2); 5% are associate professionals (SOC3); and 2% are skilled trades.

- ☐ The conception of the self-employed as precarious workers does not hold true. They are on average better paid than in similar positions as employees. Their average daily rate is €565, independent contractors over 60 years old having an average daily rate of €650, those under 29 years old being paid €384 on average.

- ☐ 85% of independent contractors are project-based contractors, compared to 15% of gig/task-based contractors.

- ☐ 44% of independent contractors only have contract lengths of 7-12 months, suggesting that a significant portion of their business also involves seeking new contracts on a regular basis. But since 2021, the stability of their work has improved: the average contract length has increased and the number of contracts longer than 24 months is also higher.

2. *The entrepreneur gap facing women and minorities,* Knowledge at Wharton, 2016

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EMBEDDING HUMAN RIGHTS IN SFRD ARTICLES 8 AND 9 PASI DISCLOSURES

Margaux Dillon, Senior Sustainability Consultant at **Ksapa.**

The European Commission developed the Sustainable Finance Disclosure Regulation (SFRD) to resolutely gear investments towards sustainable investing. In an effort to curb greenwashing, the directive aims for greater fund comparability and transparency against 3 sustainability factors:

1. **Sustainability risks,** defined causing a material negative impact on investment value. Think climate change, related extreme weather events or water stewardship imperatives.

2. **PASI – Primary Adverse Sustainability Impacts** as negative, material, or potentially material effects on sustainability factors that result from, worsen, or are directly related to investment choices or advice performed by a legal entity. Think of an organization's carbon footprint.

3. **Pre-contractual and periodic sustainable investment disclosures** for Article 8 and Article 9 investment products. The latter are required to assess their portfolio against the principle of "do no significant harm" by considering the Principal Adverse Sustainability Impacts and incorporating considerations of the minimum safeguards – per the Taxonomy Regulation (2020/852).

The issue with this notion of doing No Significant Harm lies in extending these requirements to ensuring Article 8 and 9 funds enforce and promote Human Rights across their portfolio.

> **Fund managers must acknowledge their specific Human Rights risks.**

It is to be noted that the EU Platform on Sustainable Finance has since issued its Final Report on Minimum Safeguards, advising on the application of minimum safeguards (MS) in relation to the Taxonomy Regulation Articles 3 and 18. It does so by a) embedding MS in existing EU regulation, b) identifying substantive topics relating to the standards and norms referenced in Article 18 of the Taxonomy regulation and c) presenting advice on compliance with MS. It recommends assessing inadequate or non-existent corporate due diligence processes on human rights, including labor rights, bribery, taxation, and fair competition as a sign of non-compliance, as well as final liability of companies in respect for breaches of any of these topics, the lack of collaboration with a National Contact Point, assessment of noncompliance with OECD guidelines and non-response to allegations by the Business and Human Rights Resource Centre.

DIFFERENTIATING SFRD ARTICLE 8 AND ARTICLE 9 FUNDS

The European directive targets all EU-based financial market participants and financial advisors, including those based outside of the bloc but selling products to clients in the European Union. They will now be called upon to classify ESG funds and other investment products into 3 distinct categories, each with their specific set of requirements.

To start with, asset managers must now categorize their funds as non-sustainable – for example if they include stocks in high-risk sectors such as tobacco or thermal coal. These so-called Article 6 funds do not embed sustainability issues in their decision-making. At all. Explicitly so. Of particular concern, however, are Article 8 and 9 funds which are expected, at least nominally, to uphold sustainable action.

ARTICLE 8 FUNDS CHARACTERISTICS

Article 8 funds are often referred to as light green, given these financial products are intended to promote environmental and/or social characteristics as part of a sound corporate governance. Conversely, a fund's consideration of the 14 principal adverse sustainability impacts listed in the draft regulatory technical standards does not automatically qualify it as an Article 8 Fund. They must imperatively embed the relevant indicators in their decision processes. Morningstar in particular describes Article 8 funds as a catch-all category with a fairly conservative approach to ESG-based exclusions.

ARTICLE 9 FUNDS ADDED REQUIREMENTS

Article 9 funds, on the other hand, are referred to as dark green, owing to the fact these products are built either around a sustainable investment goal or a carbon emissions reduction. The entirety of the portfolio must therefore qualify as sustainable investments aligned with the Do No Significant Harm principle. Building on Article 8 requirements, Article 9 fund managers are required to double down on their risk assessment against the social safeguards specified in the

Taxonomy Regulation. Per the draft regulatory technical standards, Article 9 Funds with a carbon reduction goal must refer to an EU Climate Transition Benchmark or EU Paris-aligned Benchmark.

GREENWASHING CONCERNS AND LACK OF SFRD GUIDANCE

According to Morningstar, funds classified under Article 8 – in other words, with environmental or social characteristics – account for 30.3% of European fund assets. Conversely, 3.7% of assets are invested in SFDR Article 9 funds, which pursue sustainability as a core investment objective.

Meanwhile, investment in SFDR Article 8 and Article 9 funds reached €4.18 trillion in the first quarter of 2022 – representing upwards of 42.4% of all funds sold in the European Union... and counting.

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This issue of ambiguous language is nothing new and not specific to SFRD compliance alone. A Qontigo report analyzed 12 European sustainable labels concluding it is practically impossible to design an investment product aligned with all key labels. The goal of the SFRD, however, was to develop a certain degree of normative quality for end-investors – in other words, pushing fund managers to adjust their offering to curb the misallocation of funds and greenwashing.

With that in mind, the European Securities and Markets Authority is slated to provide a definition of greenwashing as part of its responsibility to enforce the European sustainable finance roadmap. This is not only a European issue, either. With the backing of the U.S. Securities and Exchange Commission, researchers analyzed how natural language processing could help determine how funds with "ESG" in their name define ESG in the first place.

In the meantime, unclear policy guidance allowed distributors and fund buyers to pressure managers in labelling their funds as Article 8 or Article 9 funds without doing the work. Morningstar itself had to remove more than 1,200 funds with a combined $1.4 trillion in assets from its European sustainable investment list after an "extensive review" of their legal filings – most of which boasted as Article 8 funds. Indeed, some of the largest Article 8 fund – or particular concern – have not even found it necessary to market themselves as particularly green.

EMBEDDING HUMAN RIGHTS IN ARTICLE 8 AND 9 FUNDS

We have described how funds qualify as sustainable and aligned with the EU Taxonomy provided their activities make a substantial contribution to 1 of 5 environmental or social objectives, that they Do No Significant Harm, and comply with minimum safeguards. Here's how Ksapa operates with its financial services clients to ensure compliance articulating PASI and Impact managing funds.

• ARTICULATING THE SFRD AND HUMAN RIGHTS RESPONSIBILITIES

The latter are defined in article 18 of the SFRD per the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. More specifically, these safeguards are harmonized with the 8 core conventions of the International Labor Organization and the International Bill of Human Rights.

In addition, the vision behind the *Do No Significant Harm* principle is that investors move to perform against a core environmental or social indicator while meeting a minimum baseline standard across all others. That said, because of the green bent of the EU Taxonomy, investments typically focus on carbon emissions target and metrics – often at the expense of other key environmental data (e.g. water, waste and biodiversity stewardship).

Given the Social Taxonomy is still under development, social objectives, while clearly included in article 2(17) of the SFRD, run the risk of being overlooked entirely. It remains that Article 8 and 9 funds managers must acknowledge their responsibility to enforce and promote Labor and Human Rights. In other words, avoid potential violations and address the related adverse impacts they may cause, contribute to or be linked throughout their investment universe.

• EMBEDDING HUMAN RIGHTS IN ARTICLE 8 AND 9 DISCLOSURES

Recognizing relevant data may not be available, the Regulatory Technical Standards recommend a controversy screening – to determine SFRD compliance. In other words, companies should be screened prior to inclusion in Article 8 or 9 funds, to identify any involvement in controversial conduct related to the Do No Significant Harm objectives or

• GREENWASHING CONCERNS

These glowing statistics come at a price. As it stands, 27% of Article 9 funds were surprisingly exposed to firms deriving more than 5% of revenues from thermal coal for at 1%. Comparatively, that figure dropped to 19% for Article 8 funds, versus 22% of non-classified funds. Similarly, 33% of article 8 are subject to more than a 5% exposure to fossil fuel operators (compared to 30% of Article 9 funds and 38% of non-classified funds. It follows that fund managers can fully comply with the SFRD while including companies that operate in both the renewable and thermal coal sector. The same goes for working for oil majors provided they have carbon reduction targets.

• LAGGING POLICY GUIDANCE

The rather unexpected market enthusiasm for Article 8 and Article 9 funds signals vastly different interpretations of the SFRD rather than solid sustainability preferences or investment goals.

A key culprit is the delay in publishing Level 2 Regulatory Technical Standards – and with it, the development of Article 8 and Article 9 fund disclosure templates. The hope is the new document will specify clear metrics for funds to demonstrate how they designed their overarching goals – and, perhaps more importantly, how they intend to deliver.

minimum safeguards. We at Ksapa would however argue that, done right, comprehensive Human Rights due diligence allows investors to identify and prevent potentially adverse risks before they even occur and address or mitigate readily-identified impacts.

Here is Ksapa's 3-step approach for Article 8 and 9 fund managers, not to just to curb risk occurrence, but to proactively mitigate and ultimately prevent Human Rights violations.

STEP 1: PRIORITIZE RELEVANT HUMAN RIGHTS RISKS

This first step could be boiled down to the recognition Article 8 and 9 fund managers cannot manage everything – least of which complex and highly sensitive issues such as Human Rights across their portfolio. It is therefore all the more imperative that they start with what they know and build up capacity as part of a continuous improvement process. Here are 3 core dimensions to bear in mind:

• **Industry:** A sound starting point lies in identifying investee companies' sector-specific Human Rights risks. Think of the importance of private data (gender, salary, patrimony, saving habits, etc.) for the financial sector. This digital rights issue is not nearly as prevalent in the agriculture sector. On the other hand, cultivating food crops, for example, warrants particular emphasis on labor rights.

• **Country:** Another factor to bear in mind is the local context. Indeed, investing in a country subject to weak governance implies additional risk exposure compared, say, to an OECD State. Indeed, informal work is particularly prevalent in Latin America, warranting greater scrutiny of investee's compliance with labor rights.

• **People:** Similarly, Human Rights concerns do not materialize evenly for rightsholders, which typically include workers, contracted, third-party and supply chain workers, users and local communities. Fund managers must indeed consider how investee operations may impact them to a varying degree, acknowledging these rightsholder segment include vulnerable people (women, youths, disabled, elderly or indigenous people, notably) which may be disproportionately negatively impacted.

STEP 2: ASSESS HUMAN RIGHTS MITIGATION PROCESS MATURITY

As a result of Step 1, fund managers are expected to better understand whether potential Human Rights issues are indeed relevant and already mitigated by their investee. If not, they may assess risk severity and scale to select the most material Human Rights issues. Here is how they may develop due diligences on any residual adverse impacts and develop the corresponding progress monitoring plans:

• **Go/No-Go Decision:** The management of actual and potential negative Human Rights outcomes should be reflected in the investment decision-making process – in the selection, appointment and monitoring of external managers and funds and other services providers. Prior to deciding to invest, fund managers should assess the negative Human Rights outcomes of potential investees and set clear expectations indexed on the UNGP – including in relations to third-party investment managers. Following a Go decision, fund managers should track actual and potential negative Human Rights outcomes tied to their investments, using and building influence to ensure that investees address them – which measures monitoring and reporting on progress.

• **Investee Stewardship:** Article 8 and 9 funds have a unique ability and responsibility to exert their influence, if only to secure SFRD compliance. In any case, through their engagement and voting powers, they are in a prime position to influence investee activities, to prevent and mitigate negative Human Rights outcomes and enable access to remedy when an actual negative outcome occurs. Managers may likewise exert influence by engaging with local public and private stakeholders, so that operating environments fully uphold Human Rights.

• **Maturity Assessments:** Article 8 and 9 fund managers must assess their processes in terms of their ability to identify, remedy and prevent Human Rights violations. Available tools may not cover all salient issues. They may not exist at all. Wherever due diligences uncover blind spots, they must develop the necessary mitigative apparatus. This may take the form of a policy, sectoral or country-specific toolboxes or decision trees.

STEP 3: EMPOWER TEAMS TO ADDRESS HUMAN RIGHTS

Fund managers may not necessarily understand their Human Rights responsibilities first hand. Moreover, their teams may be particularly wary of engaging on such sensitive issues. All sourcing, investment and monitoring teams are however key to enabling fund management to make informed decisions. With that in mind, here are a few tips to build out teams' capacity to address Human Rights:

• **Develop cohesive systems:** Statements. Policies. Taxonomies. Engagement activities. All these tools must pursue a single, cohesive goal and convince stakeholders Article 8 and 9 funds include Human Rights in their decision-making and across their operations.

• **Identify champions:** One way to develop a cohesive Human Rights strategy is to identify internal ambassadors. This indeed creates a network of champions able to onboard peers much more dynamically than through top-down corporate due diligence assignments.

• **Keep it simple:** Real-world examples and case studies help teams identify situations they have encountered and may deal with again. Capacity-building programs typically include some level of role play, to encourage staff to step into the shoes of specific rightsholders.

MATCHING SALIENT RISKS WITH REALISTIC HUMAN RIGHTS ACTION PLAN

Designed to foster sustainable investment, the Sustainable Finance Disclosure Regulation generated major market enthusiasm for Article 8 and Article 9 funds. As they stand, however, these new financial products are subject to major greenwashing concerns. Indeed, we argue robust Article 8 and 9 funds should fully embed Human Rights: despite incomplete guidance, tools are readily available for funds managers to demonstrate they in actuality Do No Significant Harm and comply with minimum safeguards.

The issue, of course, is that Human Rights are not the sole responsibility of a single fund, be it an Article 8 or 9 fund, but that of multiple duty-bearers. It is therefore key that fund managers acknowledge their specific Human Rights risks, assess the process they put in place and build their teams' relevant capacities. In short, where are their salient Human Rights risks? Do investee companies have a realistic action plan to avert these risks? How should investee companies and fund managers work together to effectively progress on these issues?

As the European Union – and with it other countries operating within the bloc – reinforces SFRD requirements and disclosure templates, Article 8 and 9 funds will have nurture greater trust in their approaches and the underpinning process to secure long-term resilience. Human Rights action help them achieve just that – and weave further predictability in the investment landscape in the process. ///

KEYS TAKEAWAYS

- ☐ The European Commission developed the Sustainable Finance Disclosure Regulation (SFRD) to gear investments towards sustainable investing.

- ☐ In an effort to curb greenwashing, the directive aims for greater fund comparability and transparency against: Sustainability risks, PASI (Primary Adverse Sustainability Impacts), and Pre-contractual and periodic sustainable investment disclosures for Article 8 and Article 9 investment products.

- ☐ The latter are required to assess their portfolio against the principle of "do no significant harm" by considering the Principal Adverse Sustainability Impacts and incorporating considerations of the minimum safeguards – per the Taxonomy Regulation (2020/852).

- ☐ Article 8 funds are often referred to as light green, given these financial products are intended to promote environmental and/or social characteristics as part of a sound corporate governance.

- ☐ Article 9 funds are referred to as dark green, owing to the fact these products are built either around a sustainable investment goal or a carbon emissions reduction. The entirety of the portfolio must qualify as sustainable investments aligned with the Do No Significant Harm principle.

- ☐ Unclear policy guidance has allowed distributors and fund buyers to pressure managers in labelling their funds as Article 8 or Article 9 funds. As an answer, to minimize the risk of greenwashing the European Securities and Markets Authority is slated to provide a definition of greenwashing as part of its responsibility to enforce the European sustainable finance roadmap.

- ☐ Ksapa recommends a 3-step approach for Article 8 and 9 fund managers to just to curb risk occurrence and proactively mitigate and ultimately prevent Human Rights violations. This approach includes i) Prioritizing relevant Human Rights risks (Industry, country, people); Assessing Human Rights mitigation process maturity, Empowering teams to address Human Rights by developing cohesive systems, identifying champions, and keeping it simple.

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CLIMATE CHANGE – A NEW AND UNAVOIDABLE CAUSE FOR PHILANTHROPY

> **Why is there such a gap between the urgency of the problem and the timidity of the reactions it generates?**

Professor **Arthur Gautier,** Executive Director, and **Éléonore Delanoë,** Research Fellow at the **ESSEC Philanthropy Chair,** together with Dr. **Charles Sellen,** Global Philanthropy Fellow, **Lilly Family School of Philanthropy at IUPUI,** explore the recent upsurge in philanthropic interest for this urgent cause – climate change.

Originally published on The Conversation in French.

In January 2020, devastating fires in Australia stoked a surge of global generosity with nearly €100m donated by anonymous givers, companies or celebrities.

In February, the love-him-or-hate-him CEO of Amazon, Jeff Bezos, now first fortune in the world, announced his entry into philanthropy by setting up a $10bn climate fund. In June, his group launched the Climate Pledge Fund, a programme to invest in corporates facilitating the transition toward the low-carbon era.

But if the climate seems to be imposing itself as an urgent cause for private donors and citizens, it still only makes up a small fraction of the philanthropic flow of funds – a surprising paradox given the gravity of the problem at hand.

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A CAUSE (UNTIL NOW) NEGLECTED BY DONORS

The shift and impetus of civil society in response to global warming has considerably increased in the last few years. However, climate still only represents a minute portion of private donations. And when people give for the environment it is, moreover, rarely for "climate" as such.

The latter is often pushed into the background of the various environmental struggles (ocean conservation, air quality, forests, wildlife, etc.) which form a bundle but do not overlap.

As such, the movement offers a mixed and miscellaneous face including rhetoric and objectives which are sometimes hard to render compatible: conserving biodiversity, advocating economic degrowth, massively investing in the production of decarbonized energy, establishing carbon taxes and markets, or minimizing the impact of climate change for populations at risk.

This weak visibility granted to the climate cause is accompanied, as mentioned, by little private financing. In 2015, the members of the Environmental Grantmakers Association, which groups the main American philanthropists specialised in environmental issues, gave $1.54 billion in subsidies — only $142m of which was destined for the climate. According to the OECD, 143 large foundations operating in the field of development spent a mere $1.5bn (6.5% of their aggregated budget) between 2013 and 2015 to fight against climate change.

For private individuals too, climate remains far behind the most popular causes. The French, for example, prefer child protection, the fight against social exclusion, or even medical research, whereas the Americans only devote 3% of their giving to the environment — and as such still less for climate alone.

Mutually, private donations only count for a drop in the ocean of funds required to fight against climate change and its consequences. In 2015, only 0.1 of financing for the climate came from philanthropy. The IPCC (Intergovernmental Panel on Climate Change) estimates that $1,600 to 3,$800 billion of annual investment is required until 2050 to limit warming to 1.5°C in relation to the pre-industrial level — a scenario which focuses on the prevention of the crisis. Yet, climate adaptation, which consists in adjusting societies and ecosystems to minimize the negative impact of climate change, could constitute a much larger cost item...

COGNITIVE INCONSISTENCY AND AWARENESS

Why is there such a gap between the urgency of the problem and the timidity of the reactions it generates? A preference for the present, a "spectator effect" watering down individual responsibility or even "ecoparalysis" and "solastalgia": there are many of us who suffer from cognitive inconsistency, our behaviour seeming to be at odds with our beliefs.

As such, the World Economic Forum's Global Risks Reports position climate risk in first place among planetary risks — even before pandemics from the double perspective of their probability and gravity.

Despite these alarming signals, the media only give limited cover to climate-related topics in their reports or debates. In 2019, for example, *Le Monde* granted only 5% of its articles to climate change, with climate accounting for only 1% of France 2's topics appearing on its prime-time televised news.

This gap can also be explained by the psychology of giving. The complexity of the climate topic and its shape-shifting character demands greater thought from potential donors than a cause that is simple to understand such as aid to earthquake victims. Moreover, empathy for others' suffering and the identifying of real victims play an important role in triggering the act of giving. Yet, it is difficult to feel concerned by climate change as long as it remains a far-off threat, dispersed, and without an immediate victim.

The last few years have been a game-changer. Successive natural catastrophes attributed to climate imbalance — fires, floods, etc. — have shocked public opinion and the climate movement has grown in size. Climate change is now a source of major anxiety for people the world over. And in the philanthropy sector too, the subject has gained importance.

CLIMATE AND PHILANTHROPY — A COMMON STORY

Onlookers to this trend, several flagship philanthropic commitments have been strongly mediatised, notably that of Jeff Bezos who was immediately criticized for his hazy character, his insufficient funding — 8% of his wealth — given the magnitude of the problem, and the contradiction between his philanthropic gesture and his billionaire entrepreneurial practices.

Already in 2009, the British businessman Richard Branson had created the "Carbon War Room" to identify and test innovative solutions for the energy transition. According to the ClimateWorks Foundation, donations for climate increased by 30% between 2015 and 2017. This is still far from enough, but the trend is increasing.

Philanthropy's interest in climate is not, however, completely new. Back in 1987, meetings between experts who set the foundations for the IPCC were financed by the Rockefeller Brothers Fund.

In the 1990s, groups of stakeholders such as the Energy Foundation were set up to promote clean energies to citizens and decision-makers — and still continue to this day to meet within alliances to offer their financing capacities to the benefit of a shared strategy.

Because of its ideological diversity, philanthropy however has never been an ally of the climate... The Koch brothers, billionaires whose fortunes was made in the oil industry, have financed think tanks and climate denial campaigns in the United States for over thirty years. Without doubt, they remain the most emblematic example of the alliance between elite philanthropy and fossil fuels.

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Whether progressive and eager to react to climate challenges, or conservative and climate sceptic, American donors have been the spearhead of climate philanthropy. This is less developed in Europe where the financing of general interest causes is more or less catered for by the state.

In China, where greenhouse gas emissions overtook those of the USA in 2007, the rise of an ultra-rich class has strengthened a well-anchored philanthropic tradition which recently seized hold of the subject of the climate. As such, the billionaire Niu Gensheng has positioned himself as a leading figure in climate philanthropy, whereas the businesswoman He Qiaonv tallied up the largest donation in history for the conservation of biodiversity.

Private generosity in favour of the climate comes in many ways: the financing of NGOs specialised in appeals, networks of experts, support to local initiatives or even investment in companies providing solutions to the climate crisis to name but a few. In spite of its limited resources, philanthropy has a key role to play in the coming transition.

Its rallying effort is all the more necessary given that the causes currently given priority – such as health or assistance to the needy – risk being hit full force by the effects of climate change.

It remains to be seen if the actors in the philanthropy field will be sufficiently organised and strategic to really "make the difference". ///

KEYS TAKEAWAYS

- The climate is imposing itself as an urgent cause for private donors and citizens, but it still only makes up a small fraction of the philanthropic flow of funds.

- Climate change is often pushed into the background of the various environmental struggles that include ocean conservation, air quality, forests, wildlife, etc. and for many people remains behind other philanthropic causes: child protection, social exclusion, wildlife and the environment.

- This gap can also be explained by the psychology of giving: it is more complex to think about climate change and the victims of it are less tangible.

- American donors have been the spearhead of climate philanthropy. This is less developed in Europe where the financing of general interest causes is more or less catered for by the state.

- Jeff Bezos of Amazon set up a $10bn climate fund but this was criticised as not enough to cater for the huge costs involved in tackling the issue. In China, where greenhouse gas emissions overtook those of the USA in 2007, the rise of an ultra-rich class has strengthened a well-anchored philanthropic tradition which has endorsed climate change.

- In 2015, only 0.1% of financing for the climate came from philanthropy. In spite of its limited resources, philanthropy has a key role to play in the coming transition.

WHAT'S THE BEEF? HOW TO MAKE A 'JUST TRANSITION' IN FARMING TO MEET CLIMATE TARGETS

Can a policy, irrespective of how essential and noble it is, be successful if it does not recognize and include the key stakeholders involved in it? Professors **Sheila M. Cannon, Trinity Business School, Susan P. Murphy,** and researcher **Lyndsay Walsh, Trinity College Dublin,** explore the question by examining the 'just transition' proposed by the Government of Ireland to reduce the environmental effects of beef farming.

Related research: *Just transition frames: Recognition, representation, and distribution in Irish beef farming,* Susan P. Murphy, Sheila Cannon, Lyndsay Walsh; Journal of Rural Studies, Elsevier.

Anyone who has visited Ireland can recollect the image of cows grazing on pastures. The image is so iconic that it is regularly used in Irish tourism advertisements. This highlights the fact that beef farming is not only an important economic activity in rural Ireland but also embedded in the social and cultural fabric of rural communities, identities, and social structures.

Even purely as an economic activity, Ireland exports 90% of the beef it produces, and in 2018 exported 579,000 tons at a total value of €2.5 billion, accounting for over 30% of total food and drink exports. It is a worrying sign that an industry with such a high cultural and economic value has consistently been confronted with a variety of challenges.

> " The execution of a policy is as important as the noble intention behind it.

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BEEF FARMING: A DYING INDUSTRY?

The beef farming industry is facing a range of pressures from the social, political, economic, and environmental spheres. Economically, most beef farms are vulnerable, meaning that farm income alone does not remunerate family labour, thus requiring farmers to engage in off-farm work to supplement their incomes.

Public opinion of the industry, as a result of environmental awareness, has been on a downward spiral leading to reduced meat consumption and hence demand. Government policies to reduce emissions to achieve their sustainability goals means that the funding and support for the industry have been cut significantly.

There is also a lack of transparency over how processors – organizations that purchase cattle to process for human consumption – determine beef prices which declined by 12.5% between the beginning of 2018 and mid-2019. Together, these factors led to street protests by the beef farming community in 2019.

CLIMATE CHANGE AND JUST TRANSITION

With the inevitable effects of climate change dawning upon us, it is imperative to address the emissions related to the beef industry – one of the key contributors to the problem. With the Irish government pledging to reduce agricultural emissions by 30% by 2030, plans to transition the sector to sustainable pathways are emerging rapidly.

Just transition emerged in the 1970's as a grass-roots labour movement to mobilize workers and communities directly affected by environmental policies in the energy sector which resulted in the loss of livelihoods and employment opportunities. The idea being the benefits and burdens of the transition to enhanced environmental governance and protection policies should be fairly distributed among all stakeholders.

Experts and executives, governed by scientific, moral, and legal principles, come up with action plans to counter the effects of climate change. Less considered, although of significant importance, are not only the economic consequences but also the cultural, community identity, and sense of place of the beef farming communities.

To illustrate this apparent chasm, Ireland's Climate Action Plan notes that 'the development of plans to manage the sustainable environmental footprint of the beef and dairy sectors will be central to the achievement of [Ireland's] climate targets' while offering little to no insight on how the idea of just transition will be operationalized in the Irish beef farming sector.

WHAT COUNTS VS WHAT'S COUNTABLE

There is a fundamental mismatch in how beef farmers and key actors assess the current situation. The most powerful actors, the Government and the Irish Farmers' Association, are not addressing the issues that beef farmers consider most important: unfair power distribution leading to inadequate prices and a general lack of support for small farmers.

Even after the public protests, which – ironically due to the lack of recognition of the beef farmers, blocked the country's capital on multiple occasions – the government did not mention these issues in its assessment of the sector. This is a blatant form of misrecognition which sends the message that beef farmers are unequal partners in the decision-making process.

JUST TRANSITION WITHOUT JUSTICE?

Recognition and participation are mandatory preconditions for justice. Beef farming is intrinsically linked to the identity of the farmers and the lack of recognition and participation in a key issue that affects their livelihoods can and should be perceived as a threat to the very identity of beef farmers.

The government and experts are focused on treating the symptoms of the problem, the poor state of beef farming, and poor prices for producers – the 'what' of the injustice. They would be wiser to first focus on the cause of the problem – the 'who', 'how', and 'why' of injustice and inequity – and question the underlying social, institutional, and cultural causes that lead to distributive injustices.

For Cannon, Murphy and Walsh the core of the problem is clear: intangible factors have to be taken into account. These include the non-market-based, non-material concerns and harms experienced by the beef farmers along with – or before – considering the matters of distribution, market-based and economic instruments, and indicators to increase recognition and participation of the farmers.

INCLUSIVE JUST TRANSITION

The execution of a policy is as important as the noble intention behind it. While it is undeniable that strong measures must be taken to combat the impending doom of climate change, the way to do it must not put the livelihoods of any community in danger.

Profs. Cannon, Murphy and researcher Walsh's key takeaway is that if the transition is to be just, it must move from a single-axis analysis of economic variables to a multi-dimensional examination of social, environmental, and cultural factors. How can it be a 'just' transition if it is not justified to the most important stakeholder of the transition process?

It is a sad reality that since social status and cultural loss are not monetized commodities, their loss is not acknowledged. "Not everything that counts can be counted," goes a famous saying, "and not everything that can be counted counts." ///

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KEYS TAKEAWAYS

- The beef farming industry in Ireland is facing a range of pressures within the social, political, economic, and environmental spheres.

- With the Irish government pledging to reduce agricultural emissions 30% by 2030, plans to transition the sector to sustainable pathways are emerging rapidly.

- The most powerful actors, the Government and the Irish Farmers' Association, are not addressing the issues that beef farmers consider most important: unfair power distribution leading to inadequate prices and a general lack of support for small farmers.

- The government and experts are focused on the 'what' of the injustice. They should rather, or first, focus on the cause of the problem, the 'who', 'how', and 'why' of injustice and inequity.

- The key takeaway from the research is that if the transition is to be just, it must move from a single-axis analysis of economic variables to a multi-dimensional examination of social, environmental, and cultural factors.

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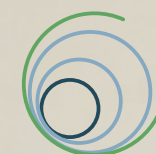Two-years, part-time (on campus)

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GENERATIONAL CAPITAL: WEAVING TOMORROW IN A PACT OF GENERATIONS

> There are countless contemporary global issues to which investment in generational capital can contribute.

Pedro Vormittag, FGV-EAESP and Columbia University alumnus, explores how the collective intelligence of previous generations can help those of the present to resolve three of the world's most particularly pressing issues: Climate change, harnessing artificial intelligence, and the reinvention of the welfare state.

There are countless contemporary global issues to which investment in generational capital can contribute.

On December 19th, 2021, a young political activist got a phone call from a businessman who had just lost an election. Gabriel Boric had just been elected the President of Chile, defeating 56-year-old José Antonio Kast, thus becoming the youngest ever to hold such a position in any country. No more than 10 years separated that phone's ringing from the demonstrations that Boric — now, President Boric — used to lead as a student in the streets of Santiago. In fact, by the time of his inauguration at the Palacio de la Moneda, he was just a few months older than the constitutional age threshold for Chilean Presidents.

Interaction between generations is not a new phenomenon. However, only recently has the relevance of that concept reached beyond economics and demographics to become pivotal to some of the most consequential dilemmas of humanity.

WHAT IS GENERATIONAL CAPITAL?

To begin with, there are countless ways of defining and categorizing generations. The Pew Research Center, for instance, frames one generation as a set of individuals born over a 15-20 year span. In Pew's clusterization, the *Millenials* were born after 1980 and currently comprise the latest generation of adults. They are preceded by *Generation X,* born between 1965 and 1980, and descendants of the famous *Baby Boom Generation,* born between the end of World War II and 1964. Finally, the *Silent Generation,* born between 1928 and 1945, is preceded by the *Greatest Generation,* of which few individuals are still alive, born before 1928.

But beyond our choices of categorization, an intriguing feature rises: distinct generations have come of age during historical contexts remarkably different from each other.

The concept of **generational capital** refers to the collective intelligence accrued by previous generations after their failed or successful attempts to solve the issues of their time. A form of immaterial capital, the substance of generational capital is made of values and lessons learned through historical experience, and stored in the collective intelligence of cohorts within a generation.

For instance, the Baby Boom generation (born between 1954 and 1964) acquired the bulk of its values during the aftermath of World War 2. Unlike the previous Silent generation (born between 1928 and 1945), which witnessed the landing on the beaches of Normandy on D-Day, 1944, Boomers were never faced with a world where war was the only way out of tyranny. On the contrary, the generation growing up after the Allied victory repudiated the Cold War and its various manifestations, from the dictatorships in Eastern Europe and Latin America to the war in Vietnam. On the Boomers' generational agenda, rather, Woodstock, peace, love, and the dream of Martin Luther King Jr were a rallying cry for harder and faster realization of civil rights and diversity.

But despite different historical upbringings, both generations also share invaluable knowledge learned through historical experience. The threats of nuclear catastrophe, either from Hiroshima and Nagasaki in 1945, or the Cuban missile crisis of 1962, prompt a generational insight: both Baby Boomers and the Silent generation can testify that humanity is capable of bringing about its own annihilation.

In times of climate emergency, global pandemics and the rise of artificial intelligence, harnessing that knowledge that only history can teach is what generational capital is all about.

At any given moment in the future, values that flourished in previous scenarios can wake up from the silent place in which they filtered into the contemporary collective consciousness and resume offering insights about current dilemmas. Through the mobilization of generational capital, values such as the preciousness of life, the sacrifice that ensures liberty, the awareness that humanity can be extinct, Martin Luther King's warning that injustice anywhere is a threat to justice everywhere come back to the agenda. Those of us facing

contemporary global challenges can be inspired without having to live through the excruciating experiences that instilled those values in previous generations.

WHY GENERATIONAL CAPITAL?

The concept of capital was originally invented to make sense simply of economic and financial phenomena, but the world has learned to mobilize for the understanding of broader realities. Drawing from that tradition, generational capital is yet another form of a non-economic expression of capital — siding with already established concepts, such as the natural capital defined by natural resource economics, or social and cultural capital as defined by sociology.

In practice, generational capital is a manifestation of collective intelligence, a concept that has been gaining traction in the research of thought leaders such as Sir Geoff Mulgan and the MIT Center on Collective Intelligence. For the purposes of our discussion, collective intelligence can be understood as the organization and mobilization of the vast array of different modalities of human knowledge — and even, more recently, artificial intelligence.

THE GENERATIONS ROUNDTABLE

In interviews at the dawn of his presidency, Chilean President Gabriel Boric celebrated the historic firsts of the new Chilean government while reflecting upon the successful and failed attempts of previous leaders fighting for the same or similar paradigms. For the first time, women will represent more than half of Chile's presidential cabinet members.

The young President is proud, but his statement on the matter remarks the failed attempt of his predecessor Michelle Bachelet to pioneer what is now Boric's political victory to enjoy. When asked about his government's formula for democracy and development, generational capital shows up again: through honorable mentions to the legacy of iconic Latin American leaders such as Brazil's Cardoso and Lula and Uruguay's Mujica — statesmen whose trajectories were defined by their handling of democratization and development challenges in their countries — Boric frames the essence of a doctrine for Millennials in government.

Harnessing generational capital is not about adhering to the acritical benchmarking of choices made by previous generations. Realizing that crucial point is mandatory for a successful intergenerational contract. Rather than examples to follow, what generational capital taps into are the lessons learned and the values that came out of experience — whatever their outcome was.

APPLYING GENERATIONAL CAPITAL TO CONTEMPORARY PROBLEM-SOLVING

There are countless contemporary global issues to which investment in generational capital can contribute. But there

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are at least three fundamental global challenges of humanity that could immediately go through massive investment rounds of generational capital.

THE ENDGAME BATTLE OF CLIMATE CHANGE

Let there be no mistake about the historical novelty of the climate emergency. While humanity as a species has been endangered before — by nature (e.g. pandemics) and by itself (e.g. nuclear catastrophe) — the difference is that now every living man and woman is confronted by a natural threat *triggered* by human action.

But in a speech at the United Nations Food Systems Pre-Summit in 2021, economist Jeffrey Sachs framed the need for intergenerational thinking in a way that demands no further elaboration. "The Sustainable Development Goals are nothing more than our generations' attempt to honor the Universal Declaration of Human Rights".

But the fact that the climate emergency is unprecedented in scale and scope does not invalidate the philosophical reflection of previous threats. In a Conference for UNESCO a few years after the nuclear destruction of Hiroshima and Nagasaki, French philosopher Emmanuel Mounier for the first time denounced that suicide had just become a collective possibility as much as an individual phenomenon. When it comes to the climate emergency, humanity is once again faced with the daunting ability to put an end to itself — an awesome, cruel power used to be within the exclusive reach of God or nature until a few decades ago.

The existential reflection about the meaning of an urgent matter such as climate change cannot afford to start from scratch — at least not when previous generations have bumped into relevant precedents that can be harnessed through generational capital.

On a more hopeful note, the aftermath of World War 2 and the enactment of a Universal Declaration of Human Rights has proven that the cold, hard borders that embolden national sovereignty can be softened to acknowledge and protect the value of life as universal regardless of nationality. In her book *A problem from Hell,* Pulitzer Prize-winning author Samantha Power tells the story of the decades-long struggle until the concept of genocide to become operational in international law. However difficult, the idea that human beings have supreme dignity over other legal concepts did make its way to law and policy. That experience — in its complete dimension, failures and successes — must inform the contemporary discussion about how the protection of nature and climate balance must not bend to the anachronistic fences of absolute national sovereignty.

THE ETHICS AND GOVERNANCE OF ARTIFICIAL INTELLIGENCE

Likewise, while it is true that humanity has never had to deal with artificial intelligence and the ethical dilemmas it entails, it is not the first time in history that humanity witnesses its technical brilliance outpace its ability to critically think about the ethical implications of its inventions.

In "The age of A.I. and our human future", former Google CEO Eric Schmidt, MIT scientist Daniel Huttenlocher and 98-year-old diplomat Henry Kissinger point out that the discussion about the good, bad and ugly side of technology must expand beyond engineers and computer scientists, reaching the thoughts of social scientists, historians, and philosophers. At the heart of such a need is the vacuum of values to inform regulatory frameworks for the production and consumption of algorithms. Once again, a similar challenge was faced by the generation who had to come up with the concept of mutually assured destruction in order to operationalize the diplomacy of nuclear deterrence between the United States and the Soviet Union. The relative success or failure of that historical process cannot go to waste as humanity tries to balance the power of Chinese and American Big Techs in a new race for hegemony.

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THE REINVENTION OF THE WELFARE STATE

The current amount of structural demographic and labor transformations is so overwhelming that the reinvention of the Welfare state as we know is inevitable. In this realm, too, the likes of the structural transformation underway have rarely happened in history.

For the first time in millennia, the global population will cease to continuously expand. Across countries, but especially in the developed world, the elderly population will only grow. Conversely, in the developing world, springs of youth will persist for the coming decades, especially in countries like India and Nigeria (IHME 2020).

The obvious truth, for now, is that the contemporary social welfare state — still essentially standing on the same architecture as when it was created in the 1950s— will have to be redesigned to address new demands. Public education will have to go beyond high school and be able to teach the specialized knowledge without which it is impossible to thrive in the 21st-century technology-driven world of labor. Health policy will have to become global so it can be able to detect, prevent, monitor, and fight the COVID-19-like pandemics that most likely lie in the coming decades. Economic freedom policies such as Universal Basic Income have risen to the first order of business in many democracies.

Rather than figuring out how to create social policy from scratch, those tasked with redesigning a Welfare state in the 21st century must tap into the success and failure of those who reinvented the concept and roles of government in the 1950s. The fact that their creation has become outdated does not mean that its reinvention cannot draw from the disruptive mentality that brought it about in the first place.

A COMMON THREAD FOR ALL GENERATIONS

Probably the most successful franchise in film history, the Star Wars saga is all about generational capital. From hippie California in the 1970s, Baby Boomer George Lucas made history by picturing some of the most enduring questions tormenting humans — the eternal battle between good and evil and one's persistent quest for identity — in the *Zeitgeist* of the space race age that defined the aesthetics of his and following generations, as Cass Sunstein put it. To this day, its narrative and characters drive millions of people to the movies, offering deep philosophical takeaways to fans.

One of the most remarkable takeaways from the saga is that generational capital does not necessarily have to mean absolute appreciation for the way through which any generation went about their challenges. In one of the most recent episodes of the Star Wars saga, legendary Jedi Luke Skywalker becomes skeptical of its own tradition and refuses to train his successor Rey in the ways of the Force. However, the narrative leaves no doubt that both Luke and Rey learned all they could from their masters — all of whom were greatly admired by these characters when Padawans (apprentices).

Moving forward, acknowledging and harnessing generational capital should be poised to be at the heart of a new cross-generational collaborative effort.

Figuring out a new intergenerational contract is one of the urgent needs in humanity's toolkit for contemporary global challenges. It's time the idea of generational capital reached the hearts and minds of people across the globe, young and old -- so that the 21st century, despite its daunting challenges, becomes the best for humanity so far. ///

KEYS TAKEAWAYS

- Generational **capital** is the collective intelligence accrued by different generations after their failed or successful attempts to solve the issues of their time.

- Humanity lives an historical period in which a record-number of different generations live together. It's time a new kind of social technology enables the intergenerational mobilization of knowledge to contemporary problem-solving.

- New global challenges such as the climate emergency, the rise of artificial intelligence, the reinvention of the welfare state, as well as old and persistent problems such as war poverty, and racism might only be possible to solve through the exchange of perspectives among different generations. Generational capital is the social technology that enables such collaboration.

FGV EAESP

MPGI

Mestrado Profissional em Gestão Internacional
Master in International Management

Master in International Management

The Master in International Management (MPGI) is a graduate degree program offered by FGV-EAESP in partnership with renowned international institutions, created to provide professionals with the competences they need to take up leadership positions in a global business environment.

This program offers the opportunity of a double degree graduation, i.e., a Master in International Management from FGV-EAESP, acknowledged by CAPES (a Brazilian Ministry of Education's institution that recognizes the quality of graduate programs in the country), plus a Master's degree from an international partner institution.

Objective

To offer pre-experience graduates in business and similar areas the skills they need to succeed in companies with global scope, both in Brazil and abroad, through cooperation agreements and double degrees between FGV-EAESP and partner schools.

For further information about the program, next selection process and required documents, please visit www.fgv.br/mpgi, or send an e-mail to mpgi@fgv.br

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CLIMATE CHANGE: CAN WE BE NUDGED TO ACT?

> " A nudge is not a mandate, but a simple way to influence our mental processes to change our behaviour through coaxing and positive assertion.

Warwick Business School and **Warwick University** professor **Lory Barile** explores how we select what we want to strengthen our assumptions on climate change and how a positive and persuasive nudge can re-calibrate our assumptions and trigger climate action.

With kind acknowledgements to Warren Manger and Warwick CORE Insights at Warwick Business School. Originally appearing under the title *Can we be nudged to act on climate change?*

Like many other countries in the world, the UK has committed to an ambitious path to net zero emissions, with the adoption of the sixth carbon budget suggesting a 63 per cent reduction in emissions by 2035. The COVID-19 pandemic has clearly accelerated the decarbonisation process. A recent report from the UK Government's Climate Change Committee estimates that emissions fell by 13 per cent in 2020, with the largest fall in aviation (-60 per cent), followed by shipping (-24 per cent) and surface transport (-18 per cent).

Not surprisingly, home energy consumption and residential buildings show an increase in emissions of seven per cent. The report also estimates that 74 per cent of the fall in emissions is associated with the pandemic, with changes seen in the use of air, land, sea and travel, in conjunction with a reduction in fuel supply, manufacturing and construction.

Earth's climate has constantly changed throughout history. Some of these changes can be attributed to natural processes, but most of them are due to human behaviour.

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With the end of restrictions because of the pandemic and a slow transition back to some sort of normal life, the question is whether these large falls in emissions will rebound and what can be done to avoid this.

Although awareness of the seriousness of the climate change problem is the highest it's ever been, people don't like changes in their own lives or in broader society. A recent survey by the EU's European Commission shows that more than three quarters of Europeans consider climate change a very serious problem. However, when asked, who within the EU is responsible for tackling the problem, only four in ten Europeans answered 'me personally'.

More interestingly, the 'environment and climate change' is in fifth place of the main concerns at country level, after health, the economic situation, price rises/inflation and the cost of living, and unemployment. This indicates that when weighed against other priorities, like our job, family and comfortable lifestyle, climate change usually falls to the bottom.

WE SELECT HOW WE WANT TO SEE CLIMATE CHANGE

Some basic lessons from behavioural economics and psychology can help explain why individuals are reluctant to do more to save our planet. In his 2015 book, *Don't Even Think About It,* George Marshall – a former Greenpeace director who founded Climate Outreach Information Network in 2004 – explains why our brains are wired to ignore climate change. Climate change is a *multivalent* phenomenon, meaning it is subject to different interpretations of causality, timing and impact. For this reason, it is extremely vulnerable to our tendency to select and adapt information to confirm our pre-existing assumptions.

If climate change can be interpreted in a variety of ways, then it is prone to be interpreted in the way we choose and the narratives we are keen to support. What is more, we actively contribute to these narratives, and develop our personal narratives.

In Marshall's words "we do not accept climate change because we wish to avoid the anxiety it generates and the deep changes it requires". But even with our cognitive limitations, we, as humans, have shown immense capacity for pro-social behaviour. Climate change is an additional phenomenon within our capacity for change. The main question is whether we are willing to accept that our own behaviour is its underlying cause.

More needs to be done to link the seemingly abstract concept of climate change to our daily life. Climate change is invisible to people's eyes; it is slow-moving and its consequences are likely to be felt in the far distant future. |And yet the rapidly increasing examples of weather extremes seem to increase its salience. Not surprisingly, more than 300 papers in the science of climate attribution provide evidence that human activity is likely to increase weather extremes around the world, especially those related to heat.

CLIMATE CHANGE: A NUDGE IS BETTER THAN A WINK

The University of Chicago economist and Nobel Laureate Richard Thaler and Harvard Law School Professor Cass Sunstein's famous 2008 book *Nudge: Improving Decisions About Health, Wealth, and Happiness,* define a nudge as "any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a nudge, the intervention must be easy and cheap to

avoid. Nudges are not mandates." People make most of their decisions instinctively rather than through rational thoughts. For this reason, they are prone to make mistakes. Often nudges are used to help us avoid making mistakes without us even knowing about it.

Nudge theory has strongly influenced the way we look at public policy and peoples' behaviour. In the UK, examples of successful nudges are the opt-out scheme for organ donations to increase the number of organ donors, the reduced size of general waste bins to incentivise people to recycle, peer pressure to encourage people to pay their tax debt and swapping 17-hole saltshakers for five-hole ones in fish and chip shops to cut salt consumption. Little changes can make a big difference to people's behaviour.

Most of the biggest challenges we are facing in society involve human behaviour, and climate change is not an exception. Low-cost 'green' nudges won't be able to solve the problem of climate change on their own, but they can certainly help by improving our choices and habits when it comes to the environment.

Scientists have published a number of studies on the effectiveness of nudge theory on people's tendency to conform to social norms. Nudges have been used successfully in Cape Town to alleviate its water crises or to encourage people to conserve energy in the state of Minnesota.

TIME TO TRIGGER THAT POSITIVE PERSUASION

Reminding people to choose the environmentally-friendly choice via energy and water reports is widely used nowadays as a green nudge tool. This gives consumers information

and feedback on how much they consume, how their consumption compares with that of other similar households and provides various hints and tips on how to improve. Energy and water reports commonly praise those who are already doing well. This can also trigger our intrinsic motivation to act more environmentally-friendly as we often like others to see us as good citizens.

Similarly, ambient energy orbs and eco-labelling may help in guiding households' decisions towards more sustainable consumption. But more can be done here. People often struggle to understand the consequences of their actions on the environment. So even if they now receive better information and feedback on their energy and water consumption, they may not associate their behaviour to greenhouse gas emissions. Disclosing this information may be a strong motivator for people to change their behaviour.

Making the default options the environmentally-friendly ones can also make a difference. And making them easy to access and automatic can have a much bigger impact on people's behaviour than asking for changes in their behaviour. For example, having letterbox lids as the default option for cardboard recycling bins, is likely to improve recycling of cardboard boxes and reduce dumping on the street.

Framing transition to a more sustainable world in a more positive way can also help increase people's motivation to act in a more environmentally-friendly way. Clearly efforts to reduce greenhouse gas emissions need people to experience immediate losses now for something they might not even have the pleasure to experience in future.

A behavioural economist would suggest that people are *loss averse,* meaning that "losses loom larger than gains" of the same magnitude. For this reason, people are stuck to their *status quo* and may not like changes in their lifestyle. They

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might be reluctant to pay more 'green taxes' for electricity and gas bills, their travel and fuel. Similarly, they may not like to spend more money on energy efficient domestic appliances, or electric vehicles. They won't like the idea of flying less or switching to more plant-based food. But consumers neglect the economic benefits of changing their habits to more sustainable behaviours. Behavioural economics teaches us that information campaigns should be carefully designed to stress what we lose by not conforming to environmentally-friendly behaviour.

A nudge is not a mandate, but a simple way to influence our mental processes to change our behaviour through coaxing and positive assertion. Nudges can play an important role to help us build a more sustainable place to live. However, it is important to emphasise that this is only part of the suggested solutions to a global crisis where all parties should play their role.

If we want to be serious about climate change, we should all start to accept that our behaviour won't be sustainable in the relatively short term. **///**

KEYS TAKEAWAYS

- ☐ Some changes in climate can be attributed to natural processes, but most of them are due to human behaviour.

- ☐ Although awareness of climate change is high, people don't like changes in their own lives or in broader society. Three quarters of Europeans think climate change a very serious issue, but only one in four think it affects them personally.

- ☐ The environment and climate change is in fifth place of the main concerns at country level, after health, the economic situation, price rises/inflation and the cost of living, and unemployment.

- ☐ We do not accept climate change because we wish to avoid the anxiety it generates and the deep changes it requires. The main question is whether we are willing to accept that our own behaviour is its underlying cause for climate crisis.

- ☐ Nudge theory can help. In the UK, examples of successful nudges are the opt-out scheme for organ donations to increase the number of organ donors, the reduced size of general waste bins to incentivise people to recycle. Little changes can make a big difference to people's behaviour.

- ☐ Low-cost 'green' nudges won't be able to solve the problem of climate change on their own, but they can certainly help by improving our choices and habits when it comes to the environment.

- ☐ Reporting gives consumers information and feedback on how much they consume, how their consumption compares with that of other similar households and provides various hints and tips on how to improve.

- ☐ Making the default options the environmentally-friendly ones can also make a difference. Framing transition to a more sustainable world in a more positive way can also help increase people's motivation to act in a more environmentally-friendly way.

- ☐ A nudge is not a mandate, but a simple way to influence our mental processes to change our behaviour through coaxing and positive assertion.

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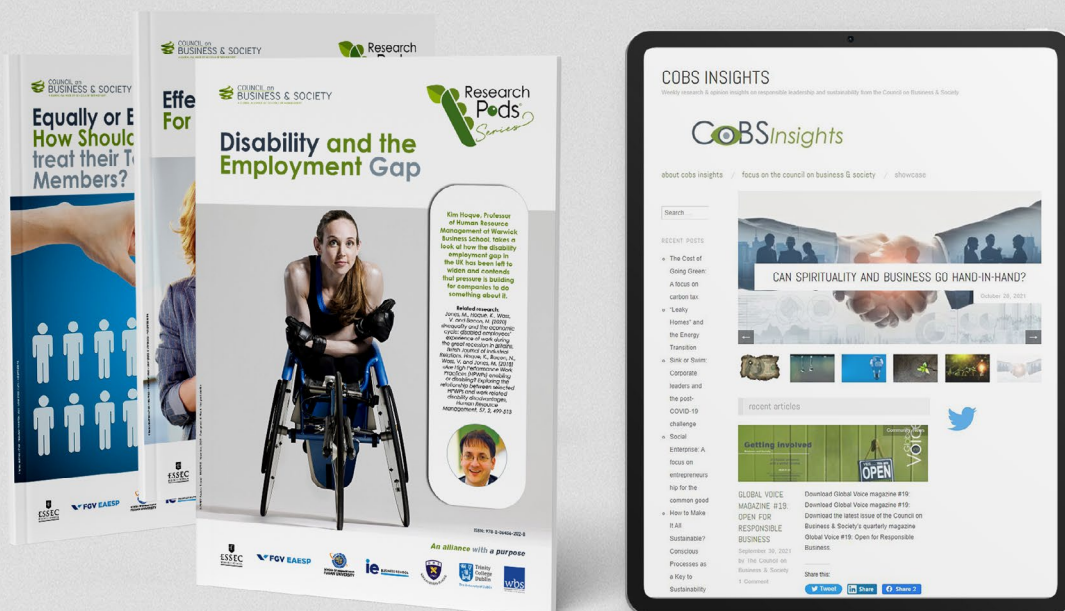**Our Full-time MBA is the catalyst you need to transform your career in just one year.**
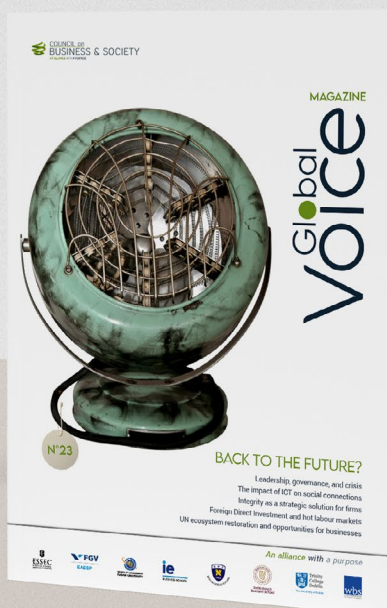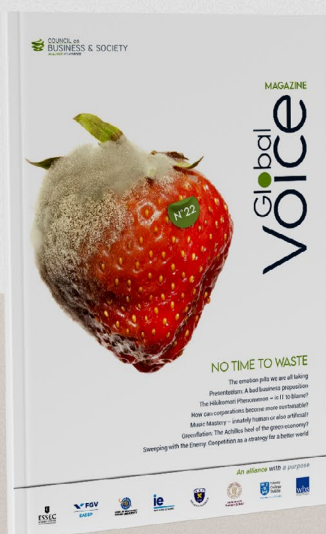
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with a global mission*

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