COUNCIL on BUSINESS & SOCIETY

A GLOBAL ALLIANCE OF SCHOOLS OF MANAGEMENT

Impact articles

Global Voice

No. 2, September 2017

Transforming challenges in the 21st century

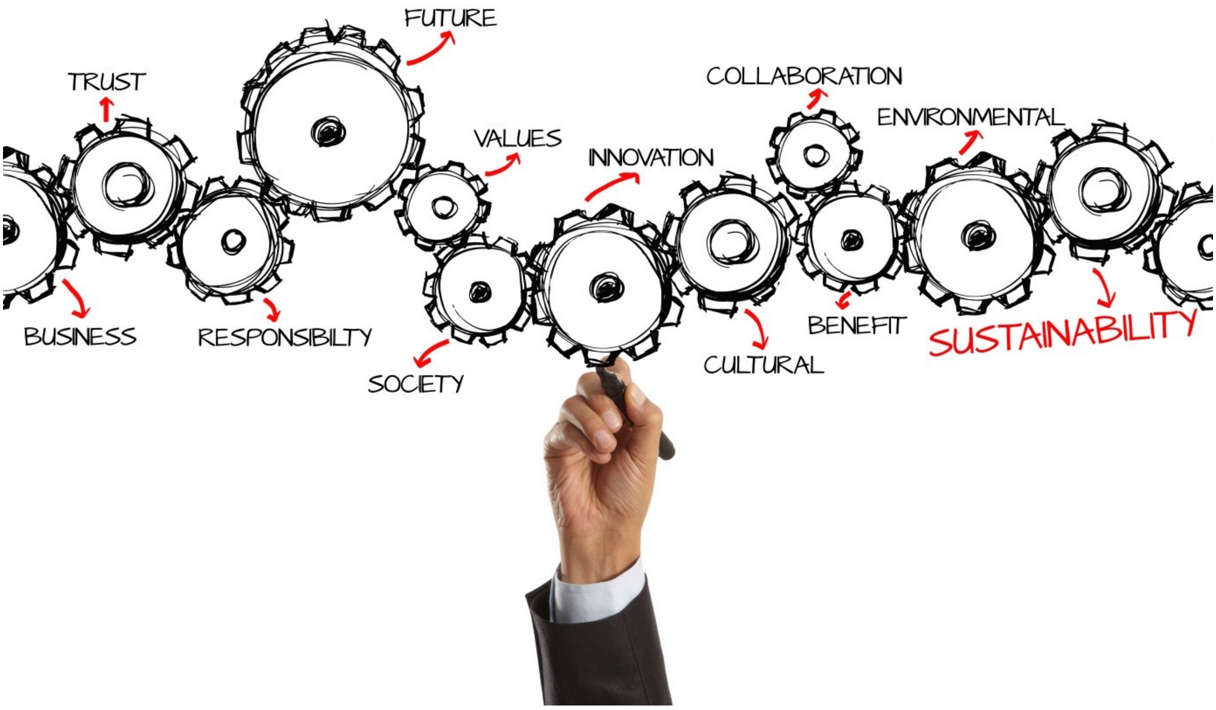
A selection of impact articles from the Council on Business & Society

ESSEC BUSINESS SCHOOL

FGV EAESP

SCHOOL OF MANAGEMENT FUDAN UNIVERSITY

KEIO BUSINESS SCHOOL

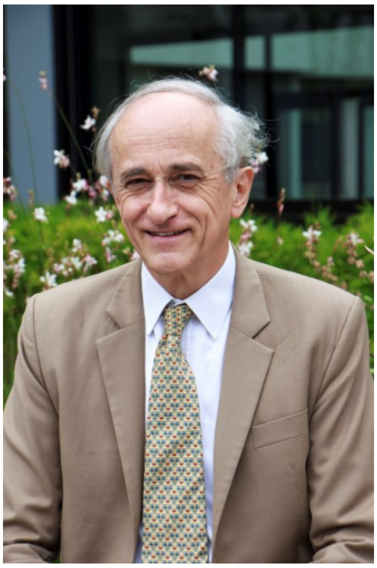


Compiled and edited by Tom Gamble, the Council on Business & Society

ISBN: 978-2-36456-169-4

Editorial

By Professor Christian Koenig



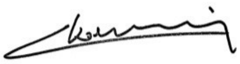
As Executive Director of the Council on Business & Society, I welcome you to this second issue of the Council's eMagazine *Global Voice*. Destined for all those – student, entrepreneur, manager, director, NGO or policy-maker – interested in how business can positively impact society through responsible leadership and CSR, this issue brings you a wealth of research output and insight on the subject from the Council's unique, international perspective of expertise.

This quarter's business and society-oriented articles cover such key issues as the shadow economy – are there indeed benefits enough for governments to tolerate it? – to the impact of digital innovation in China and a focus on the Japanese visionary and statesman Yukichi Fukuzawa, perhaps a role model – in these times of protection and introspection – the world could wisely use. Management and leadership features include revealing research into how your skills in emotional intelligence can increase your salary, and an exploration of former Puma CEO Jochen Zeitz and how his life journey led him to make the company one of the world's most effective endorsers of sustainability. Entrepreneurship is also a key theme of this issue with articles highlighting research into women entrepreneurs in Brazil, entrepreneurship in China, and the moral of Icarus and Travis Kalanic, the recently ousted CEO of Uber. And finally, the CSR section tackles the themes of energy, philanthropy, business ethics and Chinese CSR strategies.

Global Voice reached out to almost eight thousand people in issue #1 – a very encouraging first success – and I would like to thank our readers for also joining us on our **Twitter** page as a result. I'm sure this quarter's *Global Voice* will meet with even greater success, a bright perspective in higher visibility also provided by the fact that the Council has just launched its **website** offering a host of free **downloads** and with a page specially dedicated to our eMagazine.

On a final note, September 21st saw the **UN International Day of Peace,** the 2017 theme being *Respect, Safety and Dignity for All.* The challenges to carry this through are enormous of course, and the advocates of conflict and extremes many. At the Council on Business & Society we maintain that education, combined with a truly international outlook, is one of the most powerful root solutions to understanding and safeguarding stability and fulfilment in the world. And it is only when one dares to open one's mind and see the bigger, more truthful picture that challenges are met with greater determination, a real sense of vision and greater chance of success.

Sincere regards,



Prof. Christian Koenig
Executive Director, Council on Business & Society

The Council on Business & Society

- Council on Business & Society **website**: www.council-business-society.org
- Council Community **blog:** councilcommunity.com
- The Council on **Twitter:** @The_CoBS

The Council on Business & Society

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

The four schools that make up the Council on Business & Society are:

- ESSEC Business School, France, Asia-Pacific and Africa-Atlantic
- FGV-EAESP, Brazil
- School of Management, Fudan University, China
- Keio Business School, Japan.

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

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 Vice-Dean Tales Andreassi: tales.andreassi@fgv.br
+55 113 799 7821

School of Management, Fudan University (China)
Ms. Elsa Huang: hzhuang@fudan.edu.cn
+86 212 501 1408

Keio Business School (Japan)
Mr. Hiroshi Takagi: hiroshi.takagi@kbs.keio.ac.jp
+81 455 642 045

Contents

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

Impact articles

Business and Society

Council on Business & Society
A Global Alliance of Schools of Management
Impact articles

WHY THE WORLD MAY NEED YUKICHI FUKUZAWA

By Hirokazu Kono

Professor Hirokazu Kono, Dean of Keio Business School, shares the story of Yukichi Fukuzawa, founding father of Keio University, Japanese statesman and enlightened modernizer, and contends that his life and actions may well provide a model to follow in today's world.

Things have changed. Look back over the past ten years and you will notice that our lives continue against a background of tumultuous technological, political and social change. Look back at even more recent years and you will also notice that a certain instability has occurred. Change is now more rapid than ever, new technologies are disrupting the pattern of things, communication leads us fast and often in directions we do not wish to go, political instability and uncertainty touch us every day. And from a world economy that previously and openly embraced globalization there has been a backlash among many into a mindset of anti-globalization and much-aired rhetoric on protectionism. It is at times like this that we need to look back in time at our figureheads and role models – those who in their own time had a visionary understanding of what was needed for the future and whose values and actions remain universal and enduring for the generations ahead of them.

One such figurehead is Yukichi Fukuzawa (1835-1901), a man of uncommon courage, vision and wisdom who defied the established powers of the time to champion a global outlook beyond Japan's isolation and who created the foundations of the country's higher education system. Most notably, he was the founder of Keio University that today houses Keio Business School. Today, Fukuzawa still provides the driving values and vision for the institution's teaching body and students. It is in Fukuzawa's life, actions and values that this little known figurehead for western cultures may serve as a truly universal role model for our modern world – regardless of nationality and, most importantly, regardless of background.

The journey to understanding

Yukichi Fukuzawa

Born in Osaka in 1835, Yukichi Fukuzawa's early life – as with many of those who reach the status of greatness – was characterized by trial and hardship, almost as if misfortune were a test in which to understand the world from a different perspective. With the sudden death of his father, a minor treasury official, Fukuzawa's family was reduced to poverty. He spent most of his youth doing odd jobs until money for his education became available and he began studies at the age of 14, nearly ten years later than the usual starting age. A fast learner, he excelled at school. At 18, the arrival of the US fleet off Japanese waters had a profound effect on the direction his life would take: it was the time of the *Meiji* – the enlightenment – and Japan was in the throes of discarding nearly three hundred years of national isolation. The vision of the fleet and the modernism it incarnated sparked him to want to find ways of improving his understanding of all things western. After a first setback in the Dutch trading enclave of Nagasaki, he headed, penniless, for Tokyo with a dream of furthering his education. Learning Dutch and English, he found himself in Yokohama, one of the three sea ports open to western traders, and volunteered as a Japanese government envoy to the United States. A brief stay in San Francisco was followed two years later by a long stay in Europe, with lengthy visits to Great Britain, France, Germany, Holland, Portugal and Russia. When just 30, Fukuzawa returned to Japan with an immense wealth of observations, knowledge, and books. Just four years later, he travelled once again, this time to Washington DC, Philadelphia and New York.

Aim for the horizon and you will learn

Through his travels, Fukuzawa came to realize that technical progress had made western countries more prosperous and he began to believe that if Japan were to experience similar results, a revolutionary change in people's knowledge and thinking was necessary to make it happen. As such, after his return from the US, Fukuzawa created his own school to teach others according to his beliefs and experiences: it was the birth of *Keio Gijuku*, the forerunner of Keio University. By 1867, one hundred students were studying at the school with Fukuzawa lecturing political economy, and it was not long before he brought in professors from overseas, thus providing students with a completely new educational experience. Little by little, Keio opened its studies to private students coming from the popular classes and over two decades other subjects appeared on the curriculum – mathematics, economics, and medicine among them.

New words, universal values

By being outward-minded, exploring the wider perspective and introducing new concepts, Fukuzawa and his teaching colleagues found themselves having to coin new Japanese terms to describe these in ways that could be understood by the average person. Of particular significance was the word *enzetsu* used to describe the English word *speech*. The art of debate and speech-making were alien to Japanese society at the time, but without them Fukuzawa believed that the ultimate goal of democracy would be impossible.

Aiming to make Keio a source of noble character and a model of intellect and virtue for Japan, Fukuzawa wrote down the principles and values of the school that he hoped would inspire daily behaviour that would benefit not only the student and the institution but society as a whole. These principles are inscribed in Keio University's code of conduct until this day and include *Dokuritsu Jison* – independence and self-respect – that is, protecting the dignity of oneself and others and acting with discretion and responsibility in every matter.

Jitsugaku, or science, is another. In this, Fukuzawa called for students to solve issues by thinking critically in order to reveal the empirical truth rather than focus on short-term practical solutions. Further principles included *Hangaku-hankyo* which can be translated as *learning while teaching, teaching while learning* which calls for making no distinction between student and professor – that is, between the learned and those just on the outset of learning – both alike having the capacity to both teach and learn together. *Jiga Sakko* – creating history to define the future – urges students to acquire a sense of purpose and courage to achieve something unprecedented and stay true to this aim while enduring setbacks and overcoming hardships and challenges along the way. And finally, there is *Shachu Kyoryoku* which literally translates as 'collaboration with the company', *company* able to be applied to a wider sense of stakeholders. In Keio's case, this means teachers, staff, students, graduates and even the parents – all working together in a common cause and the will to make improvement.

Professor and Dean Hirokazu Kono

Not a closed issue

In many ways, the model that Yukichi Fukuzawa provides is valid for the world we live in today. Indeed, it may well be essential. Change, even in its most anodyne form, brings with it the natural emotions of denial, anger, and fear. Think of what has changed in those last ten years referred to at the beginning of this article. In today's global context, there are those who may fear the loss of their roots and identity, those who express fear at the impact that technology, in the next decade or so, will have on their jobs – indeed some job areas will disappear completely. And there are those who show anger when they see their national industries open to fierce competition from abroad. One reaction is to choose the defensive, close ranks and form a wall against the outside and everything that is different and new. Another reaction, in line with the life and actions of Yukichi Fukuzawa, is to open up to the wider world, seek knowledge, learn from the best practices of others and use this to positively transform one's own home country. It is by learning and a purpose towards the wider community that real progress is always made. It keeps our mind fresh, hopeful and youthful. Any barriers, both physical and mental, are artificial and cannot split our society. After all, as any enlightened child understands, walls are built by us to be climbed over by ourselves.

SHEDDING LIGHT ON THE SHADOW ECONOMY

By Christina Terra

Cristina Terra*, *Professor of Economics at* *ESSEC Business School*, *shares her research into the effects of regulations and policies on the informal economy and points the world's governments towards a dilemma: should the shadow economy be tolerated after all? And what trade-offs should governments make?

Where there is shadow there is light

Common to both developed and developing economies, the shadow economy – economic activity that snubs taxes, social charges and in many cases labor law regulations – nevertheless corresponds to a large part of the economy in developing countries, in some cases representing more than half of economic activities. As a percentage of GDP, it ranges from 25-60% in South America, from 13-50% in Asia, and stands at around 15% in OECD countries with a peak at 30% in some European countries. For Cristina Terra, the figures point – as opposed to much previous academic literature on the subject – towards the acknowledgement that the informal economy simply cannot be treated as a residual sector. It is no wonder that governments throughout the world, eager to retrieve much-needed revenues, have been trying to figure out the informal economy issue for some time.

Prof. Cristina Terra of ESSEC Business School, together with fellow researchers from UCP and the IZA – the German Institute for the Study of Labor – have carried out original research* into the shadow economy that puts the practice of government regulation and fiscal policies to the test – with surprising results for the dilemma over whether to adopt hard or soft approaches to informal economic practices.

**Informality in developing economies: Regulation and fiscal policies* – published in the Journal of Economic Dynamics & Control, Elsevier.

Under the lens

Although widespread, the informal economy is associated with a number of undesirable characteristics. Informal firms tend to be less productive, pay lower wages, and flaunt laws protecting employee rights and working conditions. Their very existence puts in check the rule of law and the integrity of public institutions. The obvious strategy would be for governments to adopt a hardline, repressive approach, but policies aimed at reducing informality, however, seem to have a number of undesirable effects. It is generally argued that unemployment and informality are the two faces of the same coin and that policy makers cannot contend with the latter without harming the former. Moreover, such policies may also induce undesirable effects on wage inequality.

The aim of Cristina Terra's research, focusing on developing countries in Latin America and specifically Brazil, was therefore to investigate the overall impact of state policies to reduce the shadow economy and seek to detect whether a possible trade-off exists. To do this, a model was developed that treated the informal sector not as a residual sector but as part-and-parcel of the wider economic system. The model – novel in many ways – incorporated the definitions of informality as a low-productivity, zero-tax sector with higher turnover and easier adaptation to the labor market. Other features of the model included the avoidance of costs stemming from regulations, lower market entry costs and the fact that the informal economy is not subject to wage agreements set by collective bargaining. Overall, Cristina Terra's model generated a more competitive informal sector than had usually been adopted for research. As such, this enabled both a more realistic analysis of existing policies and the study of alternative economic policies to decrease informality.

This perspective on responsibilities leads us to view the company's stakeholders not only as its direct suppliers, customers or social groups around a production site, but as the different groups impacted by its operations along the chain to which they belong, from upstream producers to end-consumers. This relates the company to "political" challenges such as education, pollution, global warming, poverty reduction, etc. This is no longer about local projects led at a very local and limited scale, for a very small number of people, but about a necessary transformation of the business models at a larger scale – meaning a deep transformation of the strategy, production, marketing, finance, supply chain and other functions and practices. Our economy (and most of our laws) was created at a time when we thought resources were inexhaustible. The replacement of humans by machines was also in apparent good faith: essentially to increase standards of living. But these concepts were founded on principles that today seem false: there is no longer *"enough land, and as good, left in common for others"* as John Locke once stated. Neither is there an infinite stock of oil and gas.

The dilemma

Governments in developing countries are faced with a dilemma. A hard or soft approach to the shadow economy? And to what extent should a government tolerate acceptance of its existence? The logic is to adopt hard tactics of enforcing the law with sanctions and strengthening the detection of informal working while introducing policies to encourage those who are tempted to work in the informal economy to swap sides, such as decreasing the costs related to starting up a business. Indeed, the statistics gathered point toward the fact that, among the Latin American countries included in the research, the informal sector tends to be larger in countries where barriers to market entry – that is, the creation of businesses – are stricter.

Professor Terra's research showed this to be true. By lessening market regulation and thereby decreasing entry costs to the formal sector, both the rate of the shadow economy and unemployment decrease simultaneously. This means that there is not necessarily room for a trade-off between these two elements.

Fiscal policies designed to lower taxes on payroll – and therefore give a boost to business and the formal economy – carry with them their own set of negative by-products: lower taxes imply higher wages, meaning higher rates of inequality. Furthermore, if advantageous fiscal policy is also accompanied by government crackdown and the enforcement of anti-informality measures, then the effect – although decreasing the shadow economy – is seen to be a rise in unemployment. Indeed, increasing informality detection alone seems to appear the least preferable policy option for governments, since it both increases unemployment and reduces wages. To some extent, this could explain why the shadow economy is so widely tolerated.

The policy choice?

For developing countries where in some cases the informal sector employs represents more than half of the labor force, the choice therefore seems to be one of laying emphasis on making it easier for businesses to enter the market via deregulation while softening the use of fiscal policy – lowering taxes on payroll – and the use of enforcement and sanction. In a nutshell, the carrot is preferable to the stick – but not just any old carrot.

A number of developing economies with large informal sectors have undergone significant trade liberalization policies. It may be argued that the effects of trade liberalization are qualitatively similar to those of a product market deregulation. Cristina Terra believes, though, that further research in this area is called for, with the development of a full-fledged open economy model with an informal sector. This will be the center of her next research project.

Professor Cristina Terra

DREAM-BASED SOCIAL INNOVATION IN JAPAN

By Takashi Iwamoto

Professor Takashi Iwamoto of Keio Business School, Keio University, Japan, shares the success story of the Everyone's Dream Award, a model for others to follow.

On the green hills of Japan

I have a dream – the phrase has become legend ever since Martin Luther King inspired the world and those striving for human rights in August 1963. Imagine though, that this dream took another form, place and time. For example, '*I have a dream that one day on the green hills of Japan, the students of universities and business schools, investors and the entrepreneurs of Japan will sit down together at the table of social innovation and in the heat of inspiration use their dreams for the good of all…*'

Well, fact is, this dream has come true. And it comes in the form of the *Minna-no-yume* Award – Everyone's Dream Award – held annually since its inception in 2010 and sparked by the work of Nobel Peace Prize laureate Professor Muhammad Yunus and the presence in Japan of the Grameen and Yunus Organization Network alongside organisations and universities. In a nutshell, Everyone's Dream Award is a nation-wide competition for dream-based social innovation that sees the winners and their inventions propelled into the spotlights of the media and, more to the point, the portfolios of seed funding organisations and investment banks.

Where there's a WHILL, there's a way

Dream deep – and especially dream deep technologies

The event typically attracts several hundreds of startups and organisations throughout the country, the Everyone's Dream Award long-list selection (30 or so innovators) being made through a number of initiatives that include local pitch events, the Social Business Gran Prix run by the Social Entrepreneur School, set up in 2010, and the Global Agriculture Dream Plan Presentation, an idea first sown in October 2013 and now a fully-grown annual event in itself.

Everyone's Dream Award targets startups that use deep technology, a term that remains to be clearly defined but which tends to differentiate between entrepreneurs who use existing technology (a "technology startup") and those whose business is launched and developed around unique, differentiated, usually scientifically-discovered innovations ("Deep technology startups"). The problem, for many young companies, is that achieving social innovation in deep technology is tough, not least because it requires big investment. However, the Everyone's Dream Award has clearly taken on not only a role of showcase for social innovation, but also 'accelerator' in the eco-system of social innovation through access to potential seed funding and investment banks.

How to judge a dream

The innovations that make it to the finals of the award are assessed according to 3 criteria: sympathy – can the dream manage to excite everyone? Sociability – can the dream contribute to society? And finally, concreteness and feasibility – is the plan to achieve the dream concrete and able to be rolled out over time? The creator who presents the winning social innovation product is awarded over JPY 20m (approx. $80,000), though the potential gains can be multiplied by the would-be investors waiting in the wings and ready to spot a future hit product.

Notable winners of the Award include WHILL, a company founded in 2012 and that develops new-generation wheelchairs to reinvent the personal mobility experience for consumers with all types of disability. Its prize-winning innovation also won the 2015 'Technology That Improves Lives' video contest run in Japan, as well as the Japanese Good Design Award 2015 among 1,258 other participants and their tech designs. Another example is the Ory Laboratory, developing remotely-controlled communication robots, that has gone on to gain visibility abroad in countries as diverse as Saudi Arabia, Taiwan and Norway. And Astroscale, 2015 winner, who had the foresight to propose innovative solutions to capture and render harmless the incredible amount of space debris that is accumulating above the planet.

ORY-ginal thinking

The bigger picture

Using WHILL, Ory Laboratory and Astroscale as examples, the beneficial impact of the Everyone's Dream event can clearly be seen: being selected as a finalist not only drastically increases public exposure, it also allows the deep tech startups to pitch directly to potential investors and grow business, build on brand image and, ultimately, speed up the process to make the dream come true and fly the social innovation flag. Now an established and recognized national event, the Everyone's Dream Award has spurred other organisations to reinforce the eco-system for social innovation in Japan. This is good news for a bigger dream – connecting the world of business to the wider responsibility it has to its customers, communities and stakeholders: society.

Professor Takashi Iwamoto

VISIT THE KEIO BUSINESS SCHOOL WEBSITE AND DISCOVER THE FULL RANGE OF ACADEMIC EXCELLENCE ON OFFER FROM ONE OF ASIA'S LEADING EDUCATIONAL INSTITUTIONS

Keio Business School

Graduate School of Business Administration, Keio University

The KBS EMBA

Launched in 2015 to further realize our school mission, the Executive MBA program provides a rigorous, accredited Master of Business Administration degree built on a foundation of breadth and depth of topics and a culture of inquiry that prepares students to become business leaders who will assume crucial leadership roles in business and society.

Unique features of the KBS EMBA

Visionary Project: Offers students opportunities to envision a desirable future in terms of economy, society, and value systems at individual level, then to back-cast those visions to the present time to realize their agenda.

Global Management Seminar: Offers students the chance to understand the difference between overseas management practices and those in Japanese contexts to gain a truly global perspective on generalizable managerial practices.

Field Courses in Japan and Overseas: Students learn logical decision-making via analyses of management practices and their backgrounds in a practical application of fundamental management theories. Client companies' strategic issues are addressed via field research and discussions with their executives and key players. In the case of overseas field courses, students are sent on short-term field study assignments with partner schools in North America, Asia and Africa.

Application

Entrance examinations for the EMBA program are held every November, December, and January. An application form, written in Japanese, is available from our Japanese website.

Date of admission	April
Admission Quota	40 student/year

For more information on the KBS EMBA:

Tel : +81-45-564-2441

E-mail : gakukbs@info.keio.ac.jp

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

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

BRINGING EDUCATIONAL DIVERSITY INTO BUSINESS SCHOOLS

By Karoline Strauss

Does studying economics make people more selfish? And if so, what role do business schools have to play in shaping the values of our future leaders? Karoline Strauss, Professor of Management at ESSEC Business School, shares her research on how and when business education can produce greater levels of selfishness – or not.

In September 2009, the then-US President Barack Obama remarked in a speech to employees of a General Motors plant on "the attitude that's prevailed from Washington to Wall Street to Detroit for too long; an attitude that valued wealth over work, selfishness over sacrifice, and greed over responsibility"[1]. It seems unlikely that we will hear similar comments on the destructiveness of selfishness and greed from the White House in the foreseeable future. Some believe that putting yourself and your own interests first is not selfish or shortsighted, but that it makes you "smart". That it is nothing to be ashamed of but that it is in fact perfectly rational: we are all driven to maximize our gains and minimize our losses. After all, this is what mainstream economics teaches us about human nature[2]. This is what we have learned in our economics classes in business school. This is what many of the leaders of our businesses and institutions have been taught, and this is what we are teaching to our future leaders. But can learning that humans are inherently selfish turn into a self-fulfilling prophecy? Does studying economics make people more selfish? And if so, what role do business schools have to play in shaping the values of our future leaders?

Looking after number one

My beautiful self

Researchers have highlighted that economic theories can become self-fulfilling prophecies[3]: if we teach students that people are inherently selfish, they will behave in selfish ways themselves. After all, if you believe that those around you will only look out for themselves, it makes sense to put yourself "first"… Research to date has shown that students majoring in economics are less concerned with the benefits of others. The more economics courses students take, the more positively they view self-interest, and the better they feel about their own self-interested behavior. It seems learning about economics fosters more positive attitudes towards selfishness. In one study[4], undergraduate students who had never taken any economics courses read statements from famous economists which either took a positive or a negative perspective on self-interest (or a neutral statement on the economy of Malaysia). The students were then asked about their opinions on greed – how correct, good, and moral it is. Students who had read about the benefits of self-interest saw greed as significantly more moral than students in the other two groups. Simply presenting self-interest as something positive and natural had influenced these students' attitudes towards greed. But these effects may be fleeting. Can studying economics really have an enduring effect on students' attitudes and values? And how would this even happen?

In a study with my colleagues Girts Racko from the University of Warwick and Brendan Burchell from the University of Cambridge, we set out to investigate these questions. We studied economics undergraduates from three leading universities in Latvia. These students completed a survey at the beginning of their first academic year, and then again two years later, at the end of the second academic year of their course. This allowed us to track changes in their values, and determine what, if anything, brought these changes about.

Peering into your fellow students

From previous research we knew that fellow students were likely to play an important role, more so than professors or the curriculum[5]. This is because social interactions with our peers often tell us what is expected in a situation. By interacting with others we learn which views and attitudes they approve of and agree with, and over time we develop a shared understanding of the values of our field of study. Our findings show that their peers in fact have a powerful effect on students' values: Those who spent more time with their fellow students became more interested in power and prestige and in their own pleasure and enjoyment over the course of two years, and less interested in creativity and curiosity.
However, this only happened to students in a specific type of economics course: one narrowly focused on economics. Students in this course took few, if any, non-economics classes; their classes had a strong emphasis on saving and investment, and they rarely interacted with non-economics students. They may hardly ever have encountered alternative perspectives to the views of economics. To them, their fellow students likely seemed a relatively uniform group sharing the same values: an interest in power and prestige, and a view that people are inherently self-interested. This in turn may have made it more likely for students to adopt these values themselves. Indeed, this effect has long been known in the social sciences: when we are unable to recall instances of a particular attitude or opinion being challenged, we overestimate how prevalent it is[6].
On the other hand, students in economics courses that included non-economics classes and that exposed them to professors and students from other disciplines showed no changes in their interest in power and prestige over the course of two years.

Peer pressure

Fostering diversity

What do our findings mean for those who believe that greed and selfishness are not desirable qualities for the leaders of our institutions and businesses? Who believe that when we are in a position of power and privilege we have a moral obligation to look out for those less fortunate? And finally, who are concerned about the effects of business schools on the values of our students?

For policy makers in business education, our study has two key implications: First, it highlights the role of a diverse curriculum and faculty. In our study, economics students who took a broad range of classes and interacted with students and professors from other disciplines did not become more self-interested or power-driven, most likely because they encountered a broad range of views and perspectives in their courses. The second implication is the importance of a diverse student body: Students' peers have a critical influence on their values during their time at university. They provide a frame of reference and a point of comparison, and particularly in the absence of a diverse curriculum and faculty, they can have an enduring effect on students' attitudes and values.

In an increasingly interdependent world of work, the future success of our students depends on forming collaborative relationships with others. Looking out for themselves first and foremost will not contribute to their success. The overriding message for business schools then seems to be one of fostering diversity in their faculty and student body to dispel selfishness. And maybe we also need to take a look at how we define success in the first place. As Adam Grant[7] put it: "What I would love to see is a set of criteria for success that assesses, in the way that you have pursued your own goals, have you lifted other people up instead of cutting them down? Have you found ways to benefit others and pay forward the help you have received? Those are markers of real success. You haven't had to achieve your goals at the expense of others, but rather, you were able to succeed in a way that spread and helped the people around you."

Professor Karoline Strauss

DIGITAL CHINA ON THE RISE

By Gordon Orr

According to the Director and Chairman of McKinsey Asia, Gordon Orr, digital enterprises are on the rise in China. Orr predicts that these companies will increase productivity across industries, speed up the globalization processes of Chinese enterprises and usher in chief information officers into the strategic decision roles. They will also force shopping mall developers to go bankrupt and governments to counter new job losses.

Making such forecasts is not something that is new to Orr who has been publishing his predictions about China annually for the past six years. Backed by his 20 years of life and work experiences in China, especially with the role he played in creating McKinsey's China practice – with the opening of offices in Shanghai and Beijing in 1993 and 1995 – his predictions do make sense in terms of where Chinese business and economy are heading. In a recent interview with Fudan Business Knowledge about his acute predictions made in January 2014, Orr highlighted the rise of digital enterprises in China, as well as the social impact and governmental policies that happen in response to this trend.

What is digital enterprise?

"A digital enterprise is a company that understands the relevant technologies that are impacting the way business is done today and re-invents how it does business tomorrow."

Is digital business a starting point for globalization?

Digital business means tremendous opportunities for Chinese local enterprises. If you create your business online from the beginning, you can operate nationwide and even become international because all of these enabling systems – payment and logistics systems – would support you in doing so. “But the real challenge is not about going nationwide but about creating a business that you can run professionally once you get a little bit larger and having the skills and organizational processes in these systems to do that,” Mr. Orr explained. Digital technology allows you to connect to people globally. “That is the most important thing, so it is an enabler to allow you to do that. But it is only the starting point. If you don’t understand the consumers in the United States, it doesn’t matter if you are connected to them because they are not going to buy your products. Also, you have to understand the specific regulations in your market.” He said he would counsel Chinese enterprises to not entirely focus on digital business, but also create online and offline businesses in the targeted markets at the same time. For example, a lot of Chinese companies sell in Brazil. You need to have Brazilian people in your organization working in Brazil in addition to your online presence. The customer wants to talk to someone in his or her own language; someone who can explain the products or offer technical assistance for any problems.

Balancing digital growth with job losses

Orr predicts that we should expect the Chinese government’s rhetoric and focus to shift from economic growth to job creation. The paradox of rising input costs (including wages), the productivity push and technological disruption is that they collectively undermine job growth at the very time China needs more jobs. He went on to talk about a recent forum in which he participated in Beijing on the development of China with Chinese leaders and global CEOs. “Technology is an inevitable force and these industries are going to be re-structured. The question is, what do businesses have to do, what does the government has to do, and have they collaborated with each other?

“This is a really tricky situation for the government. In many industries in China today, consumer behavior is driving the market. Let’s take the insurance industry as an example. State-owned and private companies, start-ups and giants alike, they all have access to digital technology; therefore, they are all going to offer their insurance products online. Consumers also have access to the same digital technology. If they find they can easily find the cheapest option, they are going to buy it themselves, cutting out the need for companies to have so many sales agents. That is going to happen and there is very little government can do at this point to prevent it,” explained Orr.

“What the government needs to do is recognize that technology is making this all happen, and they should intervene at two levels: one is helping people who come into the job market have the right kind of skills for the new jobs that are coming; the other is encouraging industries to re-organize and retrain people.”

Gordon Orr

Visit the McKinsey Global Institute for research and articles into understanding the evolution of the global economy

McKinsey&Company
McKinsey Global Institute

Join the Council Community blog and lend your voice to articles, discussions and opinion on business at the service of society

Management & Leadership

Impact articles

HOW BOARDS MANAGE CRISIS – CHINA AND THE USA COMPARED

By Xiaozu Wang, Paul Danos and Stuart Cable

In the United States, laws and norms have been developed for how to handle a wide range of crises. In China, while the written laws are often quite similar to those in the US, the norms for board behaviour and action are new and still evolving. Prof. Xiaozu Wang, School of Management Fudan University, former Tuck School of Business at Dartmouth Dean Paul Danos, and Stuart Cable, Goodwin Proctor LLP, investigate.

In the U.S., boards respond to crises based on law and lore

A number of laws passed in 1933 guide the responsibilities of directors, and understanding these laws is critical, as "the buck stops in the boardroom." For a corporation, any crisis is the responsibility of the board. A few rules are critical as boards make decisions during a crisis. These are:

Fiduciary duty: This concept has two key principles:

1. Duty of care: this means that in exercising judgment, the board of directors must be careful and deliberate
2. Duty of loyalty: this means that board members must be loyal to the company, with no self-dealing.

Business judgment: this rule says that directors are free and flexible to make decisions in the best interests of the company as long as a director makes a decision with due care. If due care is used, a director will not be held personally responsible.

In China, laws about board behaviour are relatively new, and behaviours are still evolving

China has adopted many of the corporate laws from the U.S. regarding board governance, as well as rules from Europe – particularly Germany – about having a separate supervisory board. However, even though the written laws are similar, they are recent and norms are still being developed. As Prof. Xiaozu Wang explains, "We are still learning how to behave in a boardroom – it takes time." To best illustrate the different responses of U.S. and Chinese boards, we can cite *three examples* of board crises:

Example 1: A director receives an unsolicited letter from a party to acquire 100% of the firm.

In China, a board would never receive such a letter because Chinese firms have one controlling stockholder. In the U.S., such a letter would be shared with the rest of the board, and it would cause the board to establish a process for deciding how to respond. This process would usually involve lawyers and investment bankers. If the board decided not to sell the company at this time, this decision would be protected by the business judgment rule. If the board decided to sell, it has the fiduciary duty to get the best price for shareholders.

Example 2: A CEO is accused of sexual misconduct.

In China, the board would convene and decide how to respond to minimize damage and protect the company's reputation. The most likely action would be an investigation and the board chairman, who usually represents the largest shareholder and is more powerful than the other directors, would likely make the final decision. In the U.S., the response of the board would be very similar to that in China, though norms would require an independent investigation. Ultimately, the investigation would yield a report and the board would have to exercise judgment in making a decision.

Example 3: A board receives notice from the SEC (Securities and Exchange Commission) about a potential for a material misstatement.

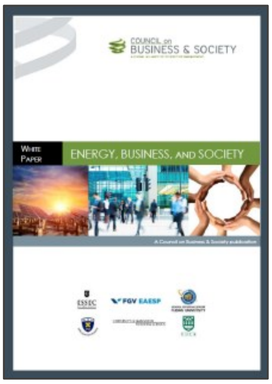
In China, the board may not react with urgency, as they may not see this as a crisis. However, because penalties for fraud are severe, any perceived hint of fraud would prompt an immediate board reaction. In the U.S., a board will quickly disclose that the company has been contacted by the SEC and will authorize an independent committee to investigate. Based on the investigation's results, the board will decide how to proceed. The challenge is one of uncertainty, as investigations and actions by the SEC can take time.

Professor Xioazu Wang

Former Dean Paul Danos

Stuart Cable, Goodwin Proctor LLP

***Download* the Council on Business & Society white papers for a multi-perspective view from business leaders, academics and policy makers on *Leadership and Governance*, *Energy* and *Health and Healthcare* at the crossroads of business and society.**



A WEALTH OF UNDERSTANDING – OR HOW EMOTIONAL INTELLIGENCE IMPACTS YOUR SALARY

By Aarti Ramaswami

Prof. Aarti Ramaswami, Academic Director ESSEC Global MBA, shares insights on how emotional intelligence impacts salary and career prospects. Based on a research paper recently published with her colleagues Joseph C. Rode, Marne Arthaud-Day, and Satoris Howes*, in the Journal of Vocational Behaviour.

**Jode Rode (Miami University, Ohio), Marne Arthaud-Day (Kansas State University), Satoris Howes (University of Portland)*

The moment is tense. And in comes a manager with a grievance – with justification: you've just cut his project budget in half. 'Take a seat,' you offer and the seconds of silence as he sits and looks you squarely in the face speak of imminent thunderclouds ahead. That is, until you calmly say: 'Mike – I feel you have a rich sense of understanding about this issue. How do you think we can dispel those fears of not reaching the deadline?' Mike looks surprised and then nods: 'How did you know I'm not here about the money, but the result?' You look down, nod in return, look up again and smile. 'Mike – I know how it feels. I was once in your shoes…' Simultaneously, the words '*maybe I feel I have a rich sense of understanding too*' seem to fill the air above your head.

While the opening example to this article is perhaps a caricature, according to our research, chances are that if you demonstrate a rich degree of emotional intelligence (EI) at work, your salary package will likely increase.

The Who, What, Where, and Why

Emotional intelligence has been described as a set of skills that can be used to accurately appraise the expression of emotions, manage emotions in oneself and others, and use feeling to motivate, plan and achieve*.

Even before its wider public visibility via the publication of David Goleman's book *Emotional Intelligence: Why It Can Matter More Than IQ* in 1995, there had been much research on EI and its supposed link to results ranging from leadership achievement, to life success and effective team management. And yet, most of the research before and since has either missed out on the relationship between EI and career success or else focused on short-term work outcomes such as job performance and job satisfaction. As a rule, the findings from this pool of research have proven disappointing – consequently leading to a conclusion that EI has low importance for longer-term measures of career success.

In this new research paper, however, we decided to develop a model that studies the effect of EI ability on career success. We used data from 126 alumni of a large, mid-Western US university who first provided data during their undergrad studies and since then have worked full-time in various industries over a ten-year time span. This is important – for career development experts view the first ten years of career life as being the most significant in terms of newbies establishing themselves, working for personal achievement, and aiming for promotion: hence the need for a healthy dose of EI, not least for building up a useful reserve of social capital. As such, our research paper makes a significant practical contribution, by establishing an empirical relationship between an ability-based measure of EI prior to entering the workforce and an objective indicator of career success several years later. So *how* did we arrive at this observation?

* Salovey & Mayer, 1990

Social Smarts Set You Apart

We first started out to investigate three hypotheses: firstly, that EI is positively related to salary, that mentoring mediates the relationship between EI and salary, and finally that the impact of EI on salary will be stronger at higher organizational levels than at lower organizational levels. In all three cases, our research supported these hypotheses. How?

Have you ever stepped back to wonder why and how colleague X down the corridor suddenly migrated to the top-floor senior management penthouse while you didn't – even if the results you showed were just as good? If you did, you might get a picture of the whole system at work – nowadays more of a sprawling live-wire network resembling a bustling mind-map than the clear, stable and regimented organisation chart that features on the wall of the office. You might also realize, as awareness grows, that what is important in such an ecosystem if you want to get things done and the company to move forward is social cooperation. This means building strong, interpersonal relationships, employing networking skills and demonstrating a fair deal of political acumen, all of them critical to achieving long-term career success within a modern company where jobs are not static and require access to information and support across the organisation. As such, given their heightened ability to identify and comprehend the importance of emotions and strategically use them in their communications and cognitions, individuals with high EI are likely to become more deeply embedded in the firm's social network, gain access to information and knowledgeable colleagues, and improve performance – which in turn leads to higher compensation.

An Advisor Makes You Wiser

Some of us were lucky enough to have more gentle and positive mentors than others. An extremely helpful and eye-opening first step up into the mechanisms of an organisation, having a capacity for EI also proves essential in making a difference, and making mentoring work. Usually, mentoring consists in a more experienced, older colleague officially or unofficially accepting to show a younger newcomer the ropes. This implies a contribution of time, energy and resources for the junior's career and personal development. Here, EI helps in several ways: high EI individuals are more open to accepting feedback and insights into low performance, low EI individuals being less willing to pursue paths to self-improvement. In addition, high EI individuals' capacity to perceive, understand and manage emotions help enormously in dealing with complex interpersonal, anxiety-generating situations – imagine a mentor, over-stretched for time and voicing his/her frustration. That has to be effectively and calmly dealt with. And finally, mentoring is a two-way deal that involves decisions to mentor or not based on cost and benefit – mentors obviously prefer to hedge their bets on protégés perceived as strong in interpersonal skills, equipped with a strong sense of self-awareness and possessing willingness for self-improvement. Simply put, high EI newbies are more attractive to potential mentors.

The Higher You Go the More Emotionally So

While EI is important at all stages of a career, we argue that it becomes all the more important as you rise in the organisation. This is because the nature of the manager-leader function changes the higher you rise from an operational to a more strategic role. And who speaks of strategy, speaks of the importance of convincing, inspiring, persuading, building rapport and trust, and managing uncertainty and stress.. In this context, we would imagine EI to have a greater impact on salary at higher organisational levels: after all, emotions are directly linked to the power structure of social relationships, often used to convey standing in social situations. Moreover, the ability to form strong networks is all-important in reaching consensus and pushing through ideas and is equally as useful when dealing with macro-level decision-making. Indeed, our research results point towards the conclusion that there is a clear correlation between the impact of EI on salary, especially as you go higher the organisational levels of your firm.

Let's get practical

The practical implications of our research extend beyond the mere indication that eager execs should now begin to up their EI skills. On the one hand, HR development functions within organisations could tailor career paths to ensure that employees and high potentials have the skills and support necessary for career success. On the other hand, while EI may develop throughout a person's studies and life experience, research results point to EI as being of particular utility at the start of a career as a good omen of longer-term career success. As such, education – on-the-job training but more particularly business and management schools – may wish to take this into account when designing new programmes for their cohorts of young managers and leaders that reach out beyond the mastery of purely academic and theoretical content. Moreover, organisations both in the educational and business sectors would be wise to focus on socio-emotional skills as well as cognitive skills during the student/employee selection process.

And lastly, the mediating and career-enhancing role of mentoring – and the importance that EI capability has in accessing and maintaining effective mentoring relationships – can be strengthened and encouraged. This suggests not only an important role for organisation-sponsored mentoring programmes, but an effort to offer less emotionally intelligent employees mentoring assignments that integrate interpersonal coaching and social skills training.

Against this, the legacy of the 'rational manager' still remains in many organisations. Within this mindset, 'correct' business decisions and initiatives are deemed unfit for any interference of a non-logical kind. Why not ask a rational manager about their pay packet? You never know – they may get all emotional about it.

Professor Aarti Ramaswami

Visit the ESSEC Global MBA web page

ESSEC BUSINESS SCHOOL

MANNHEIM BUSINESS SCHOOL

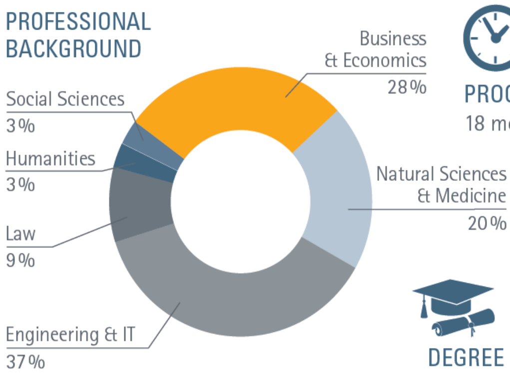
TWO PARTNERS, ONE GOAL:

Guiding you to the top

Executive MBA

With the inception of the ESSEC & MANNHEIM Executive MBA in 2004, two of Europe's leading business schools joined forces to create a program that is European in tradition but international in outlook. Since then, the partner schools have widened the program's global scope by integrating an Asia-Pacific track in 2014, delivered from ESSEC's Singapore campus. Today, the program boasts more than 1,500 alumni around the globe, successfully leading top international companies.

PROFESSIONAL BACKGROUND



TUITION FEE
€ 49,500

PROGRAM LENGTH
18 months

RANKING
#7 in Europe – The Economist, 2015

STRUCTURE
Modular

N° OF NATIONALITIES REPRESENTED
18 nationalities

DURATION
64 program days, spread over 18 months and 3 calendar years

LOCATIONS
Main locations: Paris and Mannheim; 1 study trip to Asia; 1 study trip to the U.S.

DEGREE
2 diplomas (ESSEC and Mannheim)

AVERAGE AGE/WORK EXPERIENCE
37 years/12 years

CONTACT
Thierry GRAEFF
Admissions Manager
ESSEC Executive Education
+ 33 (0) 146 921 789
graeff@essec.edu

Executive MBA

Website

THE CEO'S JOURNEY TO SUSTAINABILITY

By Stefan Gröschl

Stefan Gröschl, Professor of Management at ESSEC Business School, co-founder of the Chair of Leadership and Diversity, shares his latest research on ex-Puma CEO Jochen Zeitz and the journey to sustainability.

Our lessons come from the journey, not the destination

Imagine a journey. A journey that in many ways echoes the Hero's Journey – the pattern of narrative identified by the American scholar Joseph Campbell that appears in drama, storytelling, and psychological development. This time the story concerns the CEO, and more specifically Jochen Zeitz, the former CEO of Puma and among other things Founder of the Zeitz Foundation for Intercultural Ecosphere Safety and Co-Founder, together with Sir Richard Branson, of the B Team, a not-for-profit initiative that puts people and planet alongside profit. But Zeitz' story is also a journey that can be modelled and lived by other CEOs the world over – that of sustainability and its development, within the company or organization, from challenge to opportunity to necessity.

Stefan Gröschl, together with fellow researchers Patricia Gabaldón and Tobias Hahn, studied the journey of Jochen Zeitz – research that culminated in the publication of their findings in the Journal of Business Ethics. Moving on from previous research into cognitive development in the field of management, Gröschl and his colleagues explored how the changes in a leader's mindset relate to his/her views and actions on sustainability. Taking Jochen Zeitz as their focus of study, they illustrate that Zeitz' increasingly complex cognitive patterns during his time as CEO of Puma were associated with his development of an understanding of – and response to – sustainability that went beyond narrow business concerns. By juxtaposing key events and experiences in the biography of Zeitz with the evolution of his views and initiatives on sustainability, Stefan Gröschl and his colleagues identified how his cognitive complexity and his stance on sustainability co-evolved.

Cognitive complexity describes the number of distinctive attributes underlying a person's thinking and how they are connected: this gives the beholder a picture of the world and provides a framework for judgement and decision-making that leads to action. Where do these attributes come from? An initial answer lies in our culture – that is, the values and identity handed down to us from, for example, our family, nationality, religion, social status and profession. But as we live and grow, our experiences, both personal and professional, add themselves on to the framework, connect, and continue to shape our perceptions, decisions and actions. In the field of management, past research has shown that managers take strategic decisions based on selective interpretations of their organizational context through their cognitive frameworks – a process of reducing complexity and structuring ambiguous signals that is called '*sensemaking*'.

In the case of CEO Jochen Zeitz, Stefan Gröschl and his colleagues identified six different cognitive lenses that emerged over time, indicating an increased level of differentiation of Zeitz' cognitive pattern: business, cultural diversity, Africa, norm-breaching, environmental consciousness, and spirituality and philosophy. In short, the experiences and contexts Zeitz lived during his time as CEO at Puma contributed to an increasing awareness of sustainability and how it could be linked to business not only for increasing profits but for the necessary good of society and the environment.

The journey to sustainability

When Zeitz came to Puma, the company was struggling and in his first few years as CEO his approach was primarily driven by conventional business and management techniques in an attempt to reduce costs and turn the company around. At a time when the German economy was experiencing rising unemployment, Zeitz cut the German workforce numbers at Puma by a drastic 50%, moving most of the production facilities to low-cost countries in Asia. Despite criticism that Puma was losing its 'made in Germany' identity, Zeitz forged ahead regardless to continue to focus on restructuring, investing and developing growth.

However, it was in the process of turning around Puma from a €100m loss-making organisation to a €3bn profit-making business that Jochen Zeitz came to realise that financial success came at a cost to the environment. Traveling across Asia in the early and mid-1990s, he was shocked into realization by the poor working conditions of his suppliers' employees and the environmental damages these suppliers caused. As a reaction, Zeitz implemented a code of conduct in Puma aimed at improving the working and environmental conditions in Puma's suppliers, and with growing environmental consciousness in both Germany and outside Europe, Puma stepped up its sustainability-related activities. In the early to mid-2000s the company terminated partnerships with 35 suppliers for non-compliance with Puma's environmental standards. In parallel, Puma also expanded its auditing to cover all Puma licensees and supported or joined several sustainability-related working groups and NGO initiatives.

But it was also the coming together of Zeitz professional and personal life that gave additional impetus to his sense of sustainable issues. He visited Africa in 1989, fell in love with the country, and bought a farm. Over the next fifteen years or so Zeitz committed to developing sustainability initiatives such as the creation of the Foundation of Intercultural Ecosphere Safety in Kenya to develop sustainable projects that would bring together the '4Cs': wildlife conservation, community, culture and commerce in Africa. Another example included the setting up of a sustainable tourism business Long Run. His experience in Africa confronted him with – to paraphrase Zeitz – the negative sides of business from an ecological point of view, making him realize that it was it was time to change the way he conducted business.

Altogether, Zeitz' understanding of sustainability and its meaning for doing business evolved when he connected his experiences from running his farm in Kenya with his meetings and discussions with Anselm Grün, German monk and lecturer on spirituality. Accordingly, Zeitz started to combine business aspects with sustainability arguments in his strategic thinking and as all the threads of his experiences came together, Zeitz saw it as the moment for the environment to be valued in the same way as business and economic growth. One such illustrative example is that of the introduction of Puma's Environmental Profit and Loss Account (EPL), widely acknowledged as the first comprehensive EPL to be applied by a company.

CEOs and sustainability: Reach out and grasp

In terms of practical implications, Gröschl and his colleagues' study underlines the role of cognitive complexity for the transition toward more sustainable business practices. In particular, their findings emphasize the need to encourage leaders to develop their cognitive structures through life experiences and to consider aspects of sustainability that go beyond narrow business considerations. In much the same way as CEOs develop and foster a global mindset for the management of international corporations, the adoption of proactive sustainability initiatives could well make CEOs develop 'sustainable mindsets' – all too important for companies on the frontline of sensitive environmental and social issues.

Professor Stefan Gröschl

Visit the ESSEC Center of Excellence Management and Society web page

Entrepreneurship

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

Impact articles

CHINA: ENTREPRENEURSHIP + THE COMMON GOOD = COMMON UNDERSTANDING?

By Xiongwen Lu

China's economic and business punch is not decreasing, though its annual rate of economic growth is causing concern on world markets. Within this context, deep shifts are taking place in China's approach to entrepreneurship. In the country's much-needed economic transformation, entrepreneurial spirit may play the dual role of core driving force for both business and society.

An uneasy admiration

From a western point of view, China's economic performance and development instill both a feeling of admiration, a sense of awe and, not the least, a twinge of concern. Walking through any store across the continents and you will find Chinese presence – through textiles, toys, home products and electronic goods, not to mention those products manufactured on home markets using Chinese steel and other materials.

Chinese exports to the outside world are nothing new – indeed, China has been trading with other cultures since the opening of the "Silk Road" some two hundred years

BC, and most notably through exports of silk, and later porcelain, paper and tea. So why should the Chinese economy – or indeed China – be the focus of such concern today? One of the reasons is, of course, the sheer size of China in terms of its geography combined with its population. Another may be the high output and performance, coupled with longer working hours, of the Chinese workforce. And yet another may simply be the perception other developed countries have of the Chinese way of doing business.

Shaping responsible business leaders in China

Fudan School of Management, Fudan University Shanghai, a core member of the Council on Business & Society, an alliance of business schools throughout the world, finds itself at the forefront of management and entrepreneurship education in China. It is also one of Asia's foremost advocates of blending business with a societal approach, committed to training both Chinese and international students to be the responsible leaders of tomorrow.

One of the school's leading events, the Shanghai Chinese Entrepreneur Summit, brings together students, alumni, industry experts and policy makers with the objective of sketching out the blueprint of China's future business community.

This year, the opening message from Xiongwen Lu, Dean of the Fudan School of Management, was an encouragement for Chinese entrepreneurs to increase their effort in sharing ideas and making greater contributions to social development. It is interesting to note that such a message comes at a time when China, like its heavyweight industrial predecessors before it – historically including the UK, USA, France, Germany, Japan and South Korea – is now moving from a status as economic giant to a mindset of how to distribute and, indeed, re-distribute the wealth that it has created.

One belt, one road – and many dimensions

Still under the impetus of 5-year plans, China's economy is showing new trends. According to Yansheng ZHANG, the Secretary General of the Academic Committee of the National Development and Reform Commission, these trends include continuing increases in the proportion of total research and development expenditure to GDP, the proportion of service industry to GDP, and the contribution of consumption to growth. Moreover, the development of new urbanization is pushing forward transformation with the urban-rural and regional income gaps narrowing quickly. With its OBOR (One Belt, One Road) economic strategy that focuses on connectivity and cooperation between China and other countries, it is argued that China should integrate into the world economy deeply and develop an open economy at higher levels.

Media leader and founder and CEO of the Commercial Civilization Research Center of China, Shuo QIN, believes China's "1.0 era" is coming to an end, with the trade-driven economy in decline and China's consumption trend shifting from worship of real estate to the pursuit of "active life". According to him, new Chinese entrepreneurs should reinvent themselves, change cultural and organizational bureaucracy, truly connect to the demand side, and boldly shoulder responsibilities for both business and society.

Entrepreneurship in China will be shaped by factors both at home and abroad. Zhengfu SHI who heads the Academic Committee of the China Research Institute, and Chairman of Shanghai Comway Capital Group, states that there are opportunities in cutting edge science and technology innovation and entrepreneurship rarely seen in China. At the level of talent, China has a huge cross-cultural high-end group of entrepreneurs due to the country's high-potentials studying complementary degrees in leading institutions abroad, as well as a solid pool of skilled technical workers. Support for entrepreneurship has also been transformed with today's multilayered, quasi-market entrepreneurship fund supply system becoming increasingly mature. These factors are occurring within the country's fairly complete industrial system equipped with world-class support industries and the fact that China represents – at least, it seems, for the next decade or more – the world's largest market.

What a beautiful day

In an ideal world, the argument – and one which might just serve to distill some of the twinges of concern from China's economic stable mates around the globe – would be that entrepreneurship equals innovation, which gives rise to business, which in turn promotes international exchange and contact, and which ultimately leads to understanding and common ground. In an ideal scenario, mixing this with a Chinese commitment to create and do business with a benefit for the common good – as Fudan encourages its students to do – will certainly help promote the country's image, ties and impact across the world.

Dean Xiongwen Lu

The Fudan Executive MBA

Fudan University is one of the first thirty higher education institutions approved by the State Council Academic Degrees Committee to offer an EMBA degree program. Dedicated to developing "commanders", Fudan EMBA Program provides well-educated and highly-experienced executives with a China-oriented world-class EMBA education which cultivates executive elites and superior leaders for economic growth and social development. Through the two-year program, students are expected to complete the required credits and pass an oral defense of their thesis to earn a Fudan University MBA degree (EMBA focus).

Program features

The program offers an international curriculum structure based upon increasingly wide international cooperation:

- Teaching delivered by senior teachers and professors from home and abroad, emphasizing both a broad international visual field and the domestic reality.
- Inherits the cultural connotation of Fudan University’s one hundred years of existence and advocates the humanistic education of entrepreneurs.
- Builds top ranking business platforms through utilizing the advantages of geographical location and a powerful alumni association.

Click here to visit our EMBA web **page**

For enquiries, contact:
Email: emba@fudan.edu.cn
Tel: +86 21 25011249

SCHOOL OF MANAGEMENT FUDAN UNIVERSITY

TRAVIS KALANIC, ENTREPRENEURS – AND ICARUS

By Hamid Bouchikhi

Hamid Bouchikhi, Professor of Management and Entrepreneurship and Director of the Center of Excellence in Entrepreneurship at ESSEC Business School, takes the destiny of Uber boss Travis Kalanick and Dany Miller's book The Icarus Paradox* to focus on entrepreneurship.

* *The Icarus Paradox: How Exceptional Companies Bring About Their Own Downfall,* HarperBusines

Reach for the sky: melting under the spotlights

If everything we hear about Travis Kalanick's personality and behavior is true, his issues would be likely be better addressed by a psychologist than a management researcher. Yet the global publicity frenzy surrounding his recent departure from Uber reminds us that this is, alas, a particular case of a common phenomenon in entrepreneurship.

We're reminded that Steve Jobs was forced to leave Apple under similar circumstances to those surrounding the departure of Travis Kalanick. Here in France, and for other reasons, the co-founders of the Accor group had to abandon, in 1996, an empire they had taken decades to build. The same year Guy Dejouany was forced to leave *Compagnie Générale des Eaux*, an organization he had not founded but had grown into a world class conglomerate.

Besides their strong personalities and U-turn circumstances, one might wonder what else these prominent personalities have in common. The answer is that they all express, in different ways, a particular version of what Canadian management researcher Dany Miller called the Icarus paradox in his 1991 book *The Icarus Paradox: How Exceptional Companies Bring About Their Own Downfall*. To sum it up in broad terms, the Icarus paradox is the process by which the factors of success for a given subject create the conditions for its failure. Like Icarus, his powerful wax wings helped him reach the sun… and the heat of this success melted the wings and caused him to fall from so high.

Burn baby, burn

Dany Miller applied the myth of Icarus to the analysis of very large companies, such as IBM or Polaroid, whose strengths have become obstacles to their adaptation.

The adventures and eventual fall of Travis Kalanick offer just one example of how the Icarus paradox applies to entrepreneurship. Even when we leave aside extreme cases like his, we find a great number of situations where the entrepreneur becomes an obstacle to the growth – and sometimes even the very survival – of the business he or she created.

The ways through which entrepreneurs can burden the growth of their businesses are numerous. Many entrepreneurs have a very strong need to control everything related to their business and prevent growth in this way. Others have an emotional attachment to a product, a client or a modus operandi and ignore other strategic options. Some leaders seek growth at any price, including through costly acquisitions, to build an empire to match their thirst for power. Business ownership transfer experts are also familiar with many situations founding managers unwittingly prefer to “go down with the ship” rather than selling it to a third party who could give it a new life.

Rebel, rebel, how could they know?

These kinds of situations, where entrepreneurs become detriments to their company are fairly common. But is this kind of self-destruction natural to the point where, if it’s going to happen, there’s no way to prevent it? This is a crucial and complex question for management specialists. How can we prevent an entrepreneur from becoming an obstacle to the development of his business and how can we stop the damage when prevention has not worked?

Let's go back to Travis Kalanick. Everyone recognizes that his aggressiveness and impertinence have been decisive in conquering a field dominated by deep-rooted interests. This same rebel attitude has set up an abrasive, toxic culture in the company and crushed several groups of stakeholders including the employees and drivers affiliated with the platform.

In the case of Kalanick, prevention clearly did not work and Uber’s dirty laundry was aired in the public sphere. Under public pressure, the board of directors and investors were forced to take a curative approach to fix the situation… or be liable to shareholders. Let’s remember that investors injected nearly $ 9 billion into Uber after losses totally $ 3 billion in 2016. They absolutely needed the company to realize its exponential growth expectations in hopes of a return on investment.

In many situations where the entrepreneur becomes a problem for his or her business, it’s too difficult to change the course of events. So what advice can we give entrepreneurs to avoid becoming a burden on their business?

Step back, think ethics, listen – and fly higher, fly safer

Before offering advice, we must first stress that when a founder has strong personal ethics, he or she is far less likely to lose the plot or be tempted by tyranny. However, the growth and development of a company shouldn’t have to depend entirely on a single individual’s personality. However, an entrepreneur can be protected from him or herself, so to speak, by taking a wide range of concrete measures:

- Sharing management responsibility with an alter ego
- Setting up processes through which they must listen to fellow employees and encouraging those with differing opinions to speak-up
- Finding a mentor capable of giving honest feedback on behavior and pointing out problems.

Indeed, if the proverbial solitude of the entrepreneur is real, it is not a fatality. Entrepreneurs who are aware that they can become a problem for their business can protect themselves. This awareness can even encourage some entrepreneurs to give up their own crown in the best interests of their business.

Here, as on other subjects, the word of the ancients is of great relevance. The Socratic dream of 'wise, economical, virtuous and law-abiding citizens, especially prudent and fair' provides a realistic ideal for entrepreneurs even in the 21st century. Still, it’s important to recognize the Silicon Valley and a few spectacular successes seem to promote a value system that goes against this ideal.

Professor Hamid Bouchikhi

Visit the ESSEC Center of Excellence in Entrepreneurship web page

ESSEC EXECUTIVE MBA

Key Benefits

A cross-cultural business and management perspective gained via residences in the United States and Asia and via culturally diverse classes.

A Career Advancement Track composed of individual coaching sessions, workshops and corporate and networking events tailored to achieve your personal career goals.

A Leadership Development Track to enhance your soft skills and ability to lead via self-assessment tests, group coaching and leadership workshops.

An involved faculty from across the globe composed of renowned thought leaders in their areas of expertise.

A powerful network of 47,000 alumni located in 71 capital cities across the world.

PROGRAM FORMAT & DURATION

67 program days over 18 months
Program start: April
Friday and Saturday every two weeks
Program entirely in English

LOCATION

Essec Executive Education
CNIT – Paris La Défense

ENQUIRIES

Thierry Graeff, Admissions Manager
graeff@essec.edu
+33 (0) 1 46 92 17 89

Expertise, exploration, entrepreneurship

Our mission: Empower you to achieve your goals, both personal and professional, to reveal the leader and entrepreneur you aim to become. Throughout the course of the ESSEC Executive MBA program, you will expand your general management knowledge, gain international experience through global study trips, train to become a successful entrepreneur, hone your leadership skills and advance your personal development.

Objectives

- Develop a 360° global view of business and expertise in all corporate functions.
- Test an entrepreneurial idea by applying acquired theoretical knowledge to create a brand new business or develop a new product or market for your company.
- Learn to work effectively in teams in environments with a high level of diversity and cultural difference.
- Increase your versatility and value to your employer, thus multiplying your career opportunities.
- Create a valuable and lasting network of business partners and friends.

"The best executive MBA experience combines networking, the sharing of best practices, international residencies abroad, leadership development and group projects. It has served as a springboard for my career: since graduation, I've transitioned from a position in a Big Four audit firm to a senior manager role in a dynamic strategy consulting firm."

Marthe Pradère
Senior Manager, Strategy & Organization,
Tallis Consulting (Square Group)
Class of 2015

Visit the ESSEC EMBA web page

INTO THE LIVES OF WOMEN ENTREPRENEURS ***IN BRAZIL***

By Tales Andreassi

Prof. Tales Andreassi, Vice-Dean of FGV-EAESP Brazil, with fellow researchers Vânia Maria Jorge Nassif, Universidade Nove de Julho, and Maria José Tonelli, FGV-EAESP, share results from their critical incident-based research* into women entrepreneurs. What impacts them behind their business veneer and how do they cope with it?

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

Let's go critical

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

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

The Brazilian context

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

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

And Brazilian challenges

Studies on the reality of women entrepreneurs in Brazil show that the main challenges they face in a professional context are linked to acceptance, lack of affective and social support, financial difficulties, lack of female entrepreneur role models, lack of knowledge and dedication to achieving success, and finally work-family balance. These studies show that a series of challenges, difficulties, prejudice, lack of education and resources interfere more sharply in the development of businesses run by women. However, they also reveal that women entrepreneurs who have had the opportunity to develop skills and competencies, with or without formal training, have achieved their goals despite their barriers and limitations.

Together with his colleagues, Prof. Andreassi's research – part of an international project conducted simultaneously in a number of countries – covered 115 women entrepreneurs who were interviewed with a total of 126 critical incidents identified. Almost all the incidents focused on the business rather than the personal (4%). 86% of the women interviewed had business partners and 67% of them ran businesses in the services sector, generally employing from 4 to 15 employees. The critical incidents recorded showed two major themes: on the one hand, aspects resulting from family relationships or relationships with partners and friends in their business and, on the other, practical managerial aspects. Moreover, it was found that there was a link between the growth of the business, for instance in a period of expansion, and the type of incident that was brought to the forefront during the interview – missed deadlines for refurbishing or financing for changes, for example.

Overcoming the entrepreneurial obstacle course

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

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

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

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

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

Professor and Vice-Dean Tales Andreassi

FGV EAESP

No single university can really understand what constitutes success in other regions of the world.

That's why five top-ranked business schools in Asia, Europe, North and South America joined together to create OneMBA, the global executive MBA program that is more diverse and globally relevant than any other.

The FGV-EAESP OneMBA

OneMBA executives from around the globe continue their career while attending classes at the OneMBA partner university most convenient to them. In addition, all OneMBA executives come together for four week-long global residencies held in US, Europe, Latin America and Asia, spread over the 21-month program. Between residencies, OneMBA global teams from different world regions, work together to complete course projects. Upon completing the OneMBA Program, executives receive the OneMBA certificate issued by the five partner universities, as well as an MBA from their home university.

Target Public

Minimum of 7 (seven) years of professional work experience. Your current or expected global management responsibilities will be considered. Bachelor’s Degree or equivalent.

Admission Process

Pre application: candidates fill in the pre-application form on the internet with their general information, submit their resume and confirm application by paying the application fee.

Candidates:

Are encouraged to participate in a profile interview which aims to align expectations regarding the program. Profile analysis is scheduled after application is confirmed.

For more information on the FGV-EAESP OneMBA download our OneMBA brochure

FOR AN ENTREPRENEURIAL ECOLOGY

By Fabrice Cavarretta

Fabrice Cavaretta, professor of Management at ESSEC Business School, provides a striking metaphor to argue against the survival of the economic fittest and for the diversity of the business species.

The business ecosystem: pushing it a little too far

Natural ecosystems are made up of innumerable species. But since some are viewed more favorably than others, it might be tempting to want to raze the lot to the ground in the name of optimization. The same temptation exists where it comes to entrepreneurial ecosystems. And in both cases, it is important to remember that all species, like job functions, add to the richness of a healthy ecosystem.

The concept of "ecosystem" is familiar to most of us. It evokes a wealth and variety of actors who participate in the intertwined life of an economic sector, a territory, or a given industry. From Adam Smith to Michael Porter, economists have identified these interactions that help explain a businesses success. In other words, beyond the specific characteristics of a company or its management, economic success depends on the availability of various personnel, infrastructure and skills, which together are referred to as an ecosystem.

But have you really thought about the consequences of this ecological metaphor? Are you really sensitive to entrepreneurial ecology?

Where there's greens, there's beans: Sometimes unfortunately

Our generation is the first to really take environmental issues seriously, to question our overexploitation of natural resources such as forests, our role in the disappearance of species, and our impacts on the climate. Our awareness of these issues has grown over time, and most of us now understand that we can't selfishly optimize one's small plot of land by ignoring the global impacts that "optimization" might have on the natural ecosystem.

Imagine a beautiful tropical forest in Brazil, for example, with a rich, varied ecosystem. From a certain perspective, this extraordinary biomass is difficult to exploit. It might be therefore tempting to "optimize" it to produce a certain kind of wealth in the very short term. For example, you could raze a section of forest and replace it with a beautiful GMO soybean field with a maximized output of a standardized product. And when yields drop, you can always turn to chemical fertilizers and insecticides.

Do you find this scenario troubling? Are you not convinced that this standardized productivism is preferable to a rich ecosystem of many species whose commercial profitability is difficult to identify? Congratulations, you are sensitive to biological ecology. But do you have the same sensitivity for entrepreneurial ecology?

Professor Fabrice Cavarretta

Everyone has their place in the family of things

A healthy economic ecosystem is like a tropical forest. It contains a wide variety of actors, who nourish the ecosystem in different ways. In other words, their apparent productivity is not always obvious.

It's too easy to look at an ecosystem and focus-in on the cockroaches, leeches, careless birds, and snakes. An economic ecosystem is indeed a rich stratification of traders, teachers, artists and craftsmen, civil servants, students, do-it-yourselfers, and a horde of intermediaries who cling to their tiny niche. A myriad productivity is neither obvious nor is it easy to harness.

Like a virgin forest, an economic ecosystem can be optimized in the very short term by eliminating certain "species". An ecosystem derives its strength from all of its actors, and disrupting the natural order of things will only be optimal in the short term. Thus, at the macro level, one can dream about optimizing the economy by freeing companies to produce and sell with a minimum or regulations and taxes, boosted by a maximum of capital. To hell the unproductive cockroaches of the economy! On the micro level, one can dream about optimizing the creation of new activities based on magnificent business plans supported by wealthy investors. To the devil with the do-it-yourselfers! These economic optimizations are just as logical our field of GMO soybeans.

Obviously, this metaphor is neither proof nor recipe of economic policy. Nevertheless, the next time you feel annoyed by the complexity, heat, humidity, and cacophony of your economic ecosystem, ask yourself if you really should not give it as much respect as a tropical forest whose infinite interactions you may not fully understand.

Our economic ecosystems are also complex systems, and it requires a great deal of maturity to capture their productivity. Let's not play the sorcerer's apprentice and instead learn to respect and appreciate our entrepreneurial ecologies in all their wealth and their apparent inefficiencies.

CSR

IS BUSINESS ETHICS ***JUST TALK?***

By Ligia Maura Costa

***Ligia Maura Costa**, Professor in the Social and Legal Services Department at FGV-EAESP, Brazil, writes on the paradoxical benefits of corruption scandals and the legitimacy of business ethics.*

Why may "good companies" go off the fences? What drives upstanding corporate managers over the edge? These questions are more opportune than ever and are quite fascinating and worrisome. The role of companies, managers and business people in general have become more complex over recent years with a shareholders' maximizing-profit approach no longer acceptable by society and societal cynicism regarding the political environment, economic issues and more specifically business, creating a challenge for companies to currently face. Moreover, a strong sense of ethics, integrated into a corporate social responsibility approach, is demanded of business people in order to respond to the expectations of today's society. General working conditions, profitability and status no longer define a good company, with the generally agreed observation that a company's ethical approach is more than likely to be taken into consideration in the new paradigm of a "good company".

Are Business Ethics at a Crossroads?

Ethics is commonly understood as standards of "good" or "correct" behaviors. Broadly speaking, the concept of business ethics is defined as a system of laws, rules and guidelines on which companies and business people base their operations and working approach in an unbiased, legal and moral manner. It could be argued that these rough parametres can have different meanings for different people. However, there is no disagreement among mainstream scholars that ethics in business is knowing what is "right" or "wrong" and more important, "doing what is right". In a nutshell, business ethics represents the integrity and the well-being of the whole organization. That said, two simple questions may easily be answered:

- Should companies change product requirements for suppliers without adjusting production deadlines and prices, pushing suppliers to breach labor standards in order to deliver?
- And should companies lie to consumers about products' quality?

The answer to both questions, in principle, is very easy: *of course not*. Forced labor is unethical, besides being illegal. And misleading consumers is unethical, above and beyond being illegal. Unfortunately, in the real world the answer is not that easy to predict. If it were an easy answer, why do many companies and business people go for the "wrong" behavior? For example, anyone who knew about Volkswagen software was able to predict that chances of losing were increasingly high in the long run. Volkswagen's cheating was odd in nature, in fact. Moreover, another recent example of an organization not honoring its ethics commitment is the case of FIFA. The suspended president Blatter said that it was "humiliating" that FIFA's ethics committee – created during his presidency – could bar him from the office (Dunbar, 2015). Ethics in business cannot be just talk.

Codes of Ethics: How to Create, Implement and Improve?

Ethical dilemmas faced by companies and business people are complex, generate innumerous issues, and may not always have a clear guideline. A code of ethics is a helpful tool to guide ethical rules of operations for companies. However, many disagree that codes have some value at all, arguing that ethics in business cannot be perceived by organizations as a fragmented matter that can be set apart depending on the circumstances. Neither, can it be considered as the doctrine of altruism. In fact, codes of ethics are not influential in determining people's behavior in the workplace, except if their values are fully implemented and regularly improved. As Brenner points out, "all organizations have ethics programs, but most do not know that they do" (1992: 392). Codes are not enough if intended only to ensure that policies comply with legal aspects. Employees have to perceive that code of ethics statements are driven downwards from the top to bottom of the enterprise. Indeed, there is no doubt that ethical considerations have to come from top management. Employees cannot see codes as "words on the wall", or company propaganda with no relation at all with day-by-day business. It is crucial to set the example in order to further engage employees to act in accordance with codes' policies and procedures. Ethics shall pervade the whole structure of the organization that means not only from top to bottom but also in all departments, from legal to human resources, from accounting to marketing, from operations to logistics, etc. As many managerial decisions reach the boundaries of the company, an important part of creating a business ethics environment evolves stakeholders. The perspective of external groups affected by corporate decisions helps to have a better understanding of their priorities and feature an ethical managerial decision process.

The World's Most Ethical Companies

The 2017 World's Most Ethical Companies from the Ethisphere Institute is in its eleventh edition. The ranking emphasizes how companies internally implement ethics issues or their codes of ethics. Are ethics actually integrated into the company's values, structure and management? Is business ethics just talk, "words on the wall", or is it really incorporated into the business are just some of the questions that are taken into account in this ranking. As less than 800 companies have applied for the Ethisphere award, the list of "most ethical companies" cannot be considered as a conclusive one. Many highly ethical companies are most probably not present on the list. However, it provides us with an interesting survey that may help us to understand some of the critical aspects related to business ethics.

A company has to be responsible towards society and their responsibility to society must go far beyond the production of goods and supply of services generating profits to shareholders. This assumption is based on the idea that companies have more constituencies to serve than shareholders, with the main concept of corporate social responsibility being embedded in an ethical notion. In today's world, it is vital to ensure positive impact on the society for both a company's reputation and indeed business success. The integration of ethics and corporate responsibility may be a challenge. However, what is essential is not necessary easy to achieve.

Professor Ligia Maura Costa

Visit the FGV-EAESP website for an insight into the full-time studies and executive training offered by South America's leading educational institution.

FGV EAESP

ENERGY HAS A NEW PRICE: ***RESPONSIBILITY***

By Atsuomi Obayashi

***Atsuomi Obayashi**, Professor of Industrial Organisation and Microeconomics, **Keio Business School**, looks into the skills, knowledge and competences future leaders should have in the energy sector.*

Responsibility means return on investment for business and society

The energy industry has a long supply chain, often of global scale, and energy is used for a diversity of demands. It is in this context that leaders in this industry should have a long-term, wide-range view that goes beyond the necessary operating results of a company to look into the impact on the wider perspective and over time. Moreover, this entails combining business ethics and economics that would support a sense of social responsibility.

It may be added, and indeed stressed, that today it is within the financial interests of a company operating in the energy sector to take this wider perspective into account, events and conditions at opposite sides of the earth and forecasts of developments decades from now all having a potential impact on investments in the energy sector.

Care for your customers

Caring for your customers should be a priority for energy producers and providers – not only on at micro level but also macro. In this light, leaders should have a sense of responsibility to society, especially towards maintaining a stable energy supply as part of society's infrastructure. If we drill down to the micro level, this responsibility remains just as important: disruptions in energy supply may bring about revenue loss for suppliers, though disruption is often followed by a surge in demand and a hike in price. However, it is often the case that energy consumers experience large losses, both financial and nonfinancial. Indeed, it is a sad truism that compensation for such loss generally goes unpaid. While contracts and regulations force suppliers to pay attention to keeping energy supplies steady, these are not incentivizing enough. A sense of responsibility and leadership would make up the gap.

Professor Atsuomi Obayashi

Education has a key role

Although energy-sector leaders have traditionally come from a technical, engineering background, the trend over the last ten years or so has been for future leaders to enter the industry via schools of management or business. In this light, business schools should foster international experience, including exchange programs between business schools, to help develop a long-term and wide-ranging view in future leader mindsets. Despite the fact that the energy industry is affected by global events, people's careers are still prone to be local. International experience will therefore provide much-needed glimpses of business models that are different from those students are familiar with.

Furthermore, studying economic contract theory would clarify what kinds of duties are easily contractable, and what are not. But it is important to emphasise that we can only use contracts and regulations if they are effective. Where they are not effective, business ethics are important and business schools should make ethics and compliance a de facto element at the heart of their range of management and business courses. Leaders must have the ability to evaluate corporate ethical actions and educate themselves to plough back in results from their operations for the benefit of communities, the environments in which they work and society as a whole.

SOLVING THE CHINESE CSR PUZZLE: HOW CHINESE FIRMS SATISFY STAKEHOLDER PRESSURE

By Qinqin Zheng

Prof. Qinqin Zheng from the School of Management, Fudan University, and her fellow researchers Yadong Luo and Vladislav Maksimov from the University of Miami, share their research on a sample of Chinese firms to highlight the contexts in which firms deploy their CSR initiatives.

Stakeholders are at stake

Every month over the past year, Li Wei – to quote a popular male Chinese name – has worked hard, putting a little money aside for his family's dream purchase: for Li Wei, his wife and two children are avid cinema fans. They plan to buy a beautiful home cinema. They have spotted two that meet their criteria. One is a little more expensive than the other though, on further investigation, Li Wei discovers that this model is made by a firm that donates a part of its profits to the community to provide education to local women in order to help them return to work after raising their family.

In the street opposite the Wei family lives Wang. Wang is twenty-four and she has just brilliantly finished a master's degree at Fudan, one of China's top schools. Now, after so long spent studying, she wants to work and has already received two offers: a highly paid post in a tractor manufacturers and a lesser paid job as a junior manager in a software company. Consulting both friends and the media, Wang learns that the tractor manufacturer has a bad reputation for dealing with its carbon footprint. On the other hand, she reads that the software company is very active in sensitizing its workforce on eco-gestures and pursues a policy of self-sufficiency in solar-generated electricity on its premises.

There is something in common between both Li Wei and his family and the young graduate Wang: they are all stakeholders. One is a customer, one is a rare resource: but they are both stakeholders, directly and indirectly, in the firms they wish to invest in and engage with. Faced with their respective choices, which of them would you recommend they choose?

CSR and corporate legitimacy

What the producer of the slightly more expensive home cinema and the software company have in common is that they have engaged in CSR – Corporate Social Responsibility – initiatives. Such initiatives can be internal to the firm – incorporating better environmental or safety standards for its employees – or external – for example, charitable contributions to local communities. But while much research has focused on firms' organisational or performance-related motives for adopting CSR initiatives, Prof. Qinqin Zheng from the School of Management, Fudan University and her fellow researchers Yadong Luo and Vladislav Maksimov from the University of Miami, push the CSR debate further by focusing on a major motivation for firms to adopt CSR initiatives – legitimation. Why do firms need legitimacy? Very simply to achieve the approval of their stakeholders (customers, employees, communities, shareholders and the media to name but a few), to strengthen their durability, maintain employee satisfaction, lower risk and even ensure their business survival. And it is by studying legitimation that she and her colleagues have managed to identify which type of CSR initiative firms may make strategic use of to satisfy stakeholder pressure.

CSR in action

Despite an often-heard comment that CSR is simply a way to 'green wash' (indeed, there have been mediatized cases of CSR initiatives being used superficially to add shine to a company's tarnished image), CSR does count, in a substantive way, for many. Examples include the textile manufacturer Coyuchi which not only uses natural dyes and organic textiles but pursues a zero waste water recycling initiative throughout the company as well as partnering with the ILO (International Labour Organisation) to ensure good working conditions for its own workers and an audit of those in place at its suppliers. Other, more familiar companies with recognized reputations in the field of CSR include Microsoft, BMW, Sony and Lego.

Generating much attention over the past few years, many studies have indeed centred on the strategic utility of CSR. However, they have tended to focus on explicitly expressed stakeholder pressures within specific domains, overlooking the angle of perceived importance and strategic use of different CSR initiatives to gain positive responses from different stakeholder groups. Consequently, the two strategies – compliance and strategic adaptation to CSR pressures – have been seen as alternative approaches. In research published in *The Journal of World Business*, Prof. Zheng et al conclude that both legitimation strategies can be used simultaneously and that two distinctly different CSR initiatives – philanthropy and sustainability – are used to satisfy specific types of stakeholder pressure.

Sustainability versus Philanthropy: or inside versus outside

One, the other, or both? The answer to the question involves looking at several stakes at play for the firm. On the one hand, existing research has shown that stakeholders respond more positively to CSR initiatives implemented by firms when the firm has higher visibility – BMW or Microsoft, for example. A firm's directors will therefore opt for an initiative that brings greater return on investment to this external aspect that both satisfies external stakeholders and brings improved visibility and image. It is here that philanthropy has the upper hand, being more instrumental in nature than sustainability and serving to prevent the particular sensitivity the public has of highlighting corporate irresponsibility. Philanthropy also wins through when firms find themselves in need of satisfying outside pressure to adopt CSR but do not have the means or time to implement initiatives that may call for a reorganisation of structure and resources within the firm. As such, philanthropy is a wholly external-oriented initiative that is relatively simple and rapid to implement.

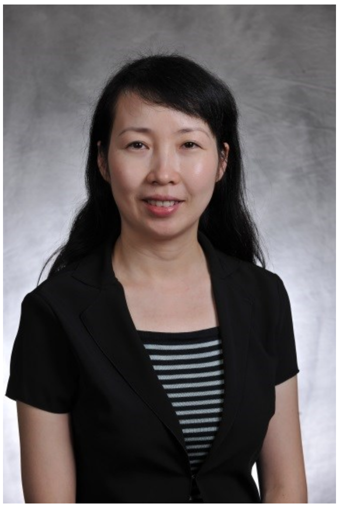
On the other hand, management perceptions of CSR may be shaped by its concern to ensure smooth industrial relations, improve processes, gain in productivity and performance or even cost-save. In this context, firms are more likely to opt for a strategy of sustainability, in the wider sense meaning the implementation of initiatives such as adopting local supplier networks, environmentally sound business practices, offering adequate working conditions and fair wages or promoting the use of raw materials that do not signify costly recycling processes or eco-taxes. Such initiatives may well touch the concerns of employees and have a greater impact, at least initially, within the company rather than out.

Commitment is key

Prof. Qinqin Zheng's research, carried out among 288 Chinese firms and using data and questionnaires with managers in charge of, or highly involved in, CSR activities, is also relevant given the context of the developing economic giant. Chinese society has become increasingly aware of the importance of CSR following a series of product safety and quality scandals. The tone from the top was given as long ago as 2008 when Premier Wen Jiabo appealed to Chinese entrepreneurs to demonstrate 'moral blood', and since then Chinese listed firms are encouraged to publish annual CSR reports, many of them displaying a voluntary wish to conduct CSR initiatives to win external credibility and internal legitimacy. Telling examples include Jiangsu Huangpu Recycling Resources CEO Chen Guangbiao, recognized for his high-profile approach to charities or, inversely, bowing to public pressure to increase its donation to earthquake victims, VanKe – a high-profit real estate firm – seeing itself having to offer a public apology and raising its contribution with a second donation of 100m RMB.

And although symbolic CSR still occurs, this is rather the result of low levels of commitment within the firm. Prof. Zheng states that when organisational commitment is present it will affect a firm's adoption of philanthropic and sustainability initiatives differently. Higher commitment, she affirms, will be particularly useful in the strengthening of internal legitimacy on sustainability implementation – because sustainability is associated with positive modifications to its value creation process, employee wellbeing and operations. This in turn means a better integration of ethics practices, increased employee satisfaction and solidified trust in the organisation.

Whatever the commitment, firms may use the choice of two strategies simultaneously – compliance or adaptation. Zheng and her colleagues argue that this is because the former – compliance – appeases stakeholder demands and avoids unnecessary risks, while adaptation allows firms to optimize their CSR efforts and have greater freedom in choosing what CSR initiatives to pursue and to what extent. Both philanthropy and sustainability – two extremes in terms of initiatives – can be used, each with a different impact on specific categories of stakeholder: philanthropy works best externally, sustainability internally. If we return to the examples of Li Wei and Wang, the student, cited at the beginning of this paper, it can be seen that both CSR initiatives have a strong and highly desirable effect that is win-win for all: customer, company, community, and planet. The only thing to do to achieve this is very simply to commit – and make it legitimate.



Professor Qinqin Zheng

Fudan-BI MBA

BI NORWEGIAN BUSINESS SCHOOL

The Best of Both

English Taught part-time MBA Program in Shanghai. Globally ranked at No.39 at Financial Times ranking , 2016.

90%

90% of students working in multinational companies

The classes encompass a variety of experience and expertise

11.5 Years average working experience

Our students have vast work and management experience

75%

International faculty

Chinese and international professors ensure the best of both perspectives

5 Campuses

Shanghai, Berkeley, Singapore, Madrid, Oslo.

An English taught part-time MBA program in Shanghai

The BI-Fudan MBA Program runs for 2 years and consist of 15 modules of four days each. All 11core modules are taught in Shanghai at Fudan University School of Management except for the last module which is taught in Oslo, Norway in conjunction with the graduation ceremony.

The world is more Chinese: Our students are encouraged to share their experiences and knowledge in a Chinese dominated international environment. Through interaction with peers and guidance by an international faculty, our MBA program provides you with an understanding which enables you to succeed in an ever more Chinese dominated business world.

The Nordics: Inspiration for innovation: Nordic business culture promotes egalitarianism, collaboration and transparency. Including a global mind-set deriving from the Nordics' small markets, the result is all necessary ingredients to foster an innovative work environment in your company. Combined with Chinese pragmatism, entrepreneurial spirit and market opportunities, this MBA program provides you with the best and most effective approaches when conducting business.

Student Profiles

Paal Utivik
BI-Fudan MBA,
Class4

Partner, Landmark Capital

Cherry Yan
BI-Fudan MBA,
Class 9

Retail Manager, Scandinavian Business Seating

For enquiries, contact:
Email: fdbi@fudan.edu.cn
Tel: +86(21)5566 4776

SCHOOL OF MANAGEMENT
FUDAN UNIVERSITY

PHILANTHROPISTS: THINK ABOUT THE IMPACT OF YOUR DONATIONS

By Arthur Gautier

*Arthur Gautier, **Executive Director of the ESSEC Philanthropy Chair and Senior Researcher, explains how donors can take into account and improve the impact of their donations.***

If you have already given time, energy, or money to support a cause that is close to your heart, you are surely familiar with the sense of well-being and satisfaction that comes with doing "good". These good intentions -- a mixture of altruism, moral obligation, and personal pleasure -- are the driving force behind philanthropy. However, they don't tell us much about what impact our philanthropic actions will have for beneficiaries. Even with the best intentions in the world, a donation can be redundant, unnecessary, or even counterproductive for those it is supposed to help.

How can donors take their good intentions that step further? How can we ensure our philanthropic actions will be relevant and impactful? While these questions have been debated since the end of the nineteenth century, when Andrew Carnegie first laid the foundations for a "scientific philanthropy" focused on reason and efficiency, they're increasingly topical today. Here are some simple recommendations for finding your own answers to these difficult but important questions.

Taking the consequences of philanthropy into account

Giving is an act of freedom through which donors express their values by taking it upon themselves to improve the lives of fellow men and women and the world in which they live. But with this freedom comes responsibility. Indeed, unlike private enterprise or democratic governments, philanthropy is not accountable to customers, shareholders, or voters. It is therefore a great moral responsibility for philanthropists to ask themselves the following questions: What will be the positive, but also possibly negative, impacts of my donations? Have they had the desired effects on beneficiaries and on society? Could they have had more positive effects if they had been used differently?

Very often, the consequences of philanthropy are clearly positive. In the field of medical research, philanthropy has been at the origin of many major discoveries. The Pasteur Institute, founded in 1887 by a large popular subscription and funded since then thanks to a large number of donations, has funded research that has resulted in effective treatments against infectious diseases including rabies, tuberculosis, influenza, and hepatitis B. The foundation also supported the work of 10 Nobel Prize winners for medicine.

Sometimes the consequences are more mixed. Since 2011, philanthropist Michael Bloomberg has donated over $ 80 million to the Sierra Club 50 to deploy the Beyond Coal initiative, which has precipitated the closure of 251 coal plants in the United States. The success of this campaign is good news for environmentalists who want to replace coal with renewable energies. On the other hand, these plant closures have a negative impact on the lives of miners and plant workers who saw their livelihoods disappear within a matter of months.

More rarely, philanthropy can also have negative consequences for all parties involved, as we saw with the Bill & Melinda Gates Foundation. Based on the premise that high school dropout levels in US public schools were linked to the excessive size of schools and the inadequate performance of some teachers, the foundation invested $ 3 billion between 1999 and 2009 to finance smaller pilot schools and evaluation procedures and bonuses for the most effective teachers. In 2009, after a rigorous impact assessment of these pilot schools, the foundation had to acknowledge its failure: not only were students not performing better in schools, the evaluation processes had also produced negative side effects on the teaching while administrative costs increased dramatically.

Choosing your causes carefully

These few examples illustrate the difficulty of "doing good" and doing it well. In view of the almost infinite number of possibilities, the first crucial job for a philanthropist is choosing the appropriate cause to support. According to Professor Peter Frumkin, this critical choice lies at the intersection of two bigger questions:

What really matters to me, what do I want to contribute to?
What are the most important and urgent needs for which a philanthropic contribution could be useful?

In other words, philanthropy is the meeting point between the expression of personal values and critical societal issues. Indeed, it would be counterproductive to choose a cause for which the needs are negligible, or for which a donation would serve no purpose. Conversely, a commitment to a cause for which one does not feel personally invested may not last long...

To make this choice, the philanthropist must work from two angles. First, he or she should be introspective: what is close to my heart? What values do I want to share or convey? What could be my added value? What resonates with my experience, my expertise? Second, he or she should undertake an outward-looking analysis: what are the important or urgent needs? What are the areas where these needs are most present? What are the other existing answers to this problem? Who are the other relevant actors? How am I in a position to respond?

It is sometimes very difficult to prioritize between these "competing" needs, especially in medical research where human lives are at stake. There has been no shortage of controversy in recent years: Amyotrophic lateral sclerosis or cancer? Myopathies or AIDS?

According to the utilitarian philosopher Peter Singer, philanthropy should be a quest for the greatest good for the greatest number. Working from his ideas, the "effective altruism" movement proposes recommendations to best allocate our limited time and our money. In particular: “effective altruism” means focusing on causes that affect a very large number of people and for which affordable solutions exist to save as many lives as possible. By following Singer, we should give to the Malaria Foundation that distributes mosquito nets in Africa rather than to research against a rare genetic disease affecting only a few thousand people in the developed countries ... However, controversy is not likely to end with such strong statements.

Understanding and evaluating the impact of donations

There is increasingly talk of impact assessment in the non-profit sector, but there is a great deal of confusion about the concept of impact and what it covers. In fact, it all depends on what you want to assess. Non-profit professionals and donors need to work together to clarify what “impact” entails. To simplify, we can distinguish four main families of evaluation objectives from what is sometimes mistakenly called "impact":

Evaluating the **relevance** of an initiative means questioning the objectives with regard to societal needs in order to analyse the project's capacity to respond to them. For example, an initiative to reduce high school dropout rates in a given city is relevant only if there is a sufficient volume of students with academic difficulties and no adequate support system at their disposal. Relevance would also depend on whether or not other actors had not already effectively mobilized to respond to this problem.

Evaluating the **effectiveness** refers to an initiative's ability to achieve its objectives. If we were again dealing with high school dropout rates, the effectiveness of an initiative could be evaluated by assessing the number of students who have successfully completed high school thanks to the initiative.

Evaluating the **efficiency** means comparing the results of a project with the financial and human resources that have been used to produce them. For example, with regards to the number of students who have completed high schools thanks to our initiative, how much was spent per child? Can this cost be easily defended? Is it sustainable? Can it be lowered without lowering the quality of its benefits?

Evaluating the **net impact** involves demonstrating that a given social project has generated real added value for its beneficiaries and for society at large. The net social impact of a project is thus understood as the total outcomes generated by the action, from which the generated effects of the interventions of other actors or factors will be deduced.

Impact assessment is complex because societal changes produced by philanthropic action are scientifically difficult to measure and causal relationships are often uncertain. How, for example, should one measure self-esteem? Or the value of biodiversity in the context of environmental protection measures? In addition, evaluation can serve very distinct and often conflictual objectives depending on the audience. Is the evaluation intended to steer internal activities, or demonstrate the social value created, or report to stakeholders?

Identifying precisely the purpose of the evaluation and the questions that come with it is a difficult but essential exercise in understanding the consequences of philanthropy and being able to evaluate them.

Arthur Gautier, Exec. Director ESSEC Philanthropy Chair

***Visit* the *ESSEC Philanthropy Chair* website for an insight into every aspect of philanthropy, corporate giving, sponsorship and impact investing**

The Council on Business & Society:

What we offer

Global forum on critical issues at the crossroads of business and society involving academics, students, policy-makers, NGOs and professionals.

***White papers* and position papers** on issues key to business and society.

A bank of shared ***educational materials*** between member schools with an international dimension, available for use in classes, courses and programmes.

Council ***Faculty research projects***

Joint courses and ***course modules*** bringing together the CSR expertise of the member schools' Faculty.

A **Young Leaders Impact Index** which analyses over time how our students and alumni view the world as they graduate, enter and progress through their professional careers.

A quarterly *eMagazine* featuring **impact** articles on CSR issues.

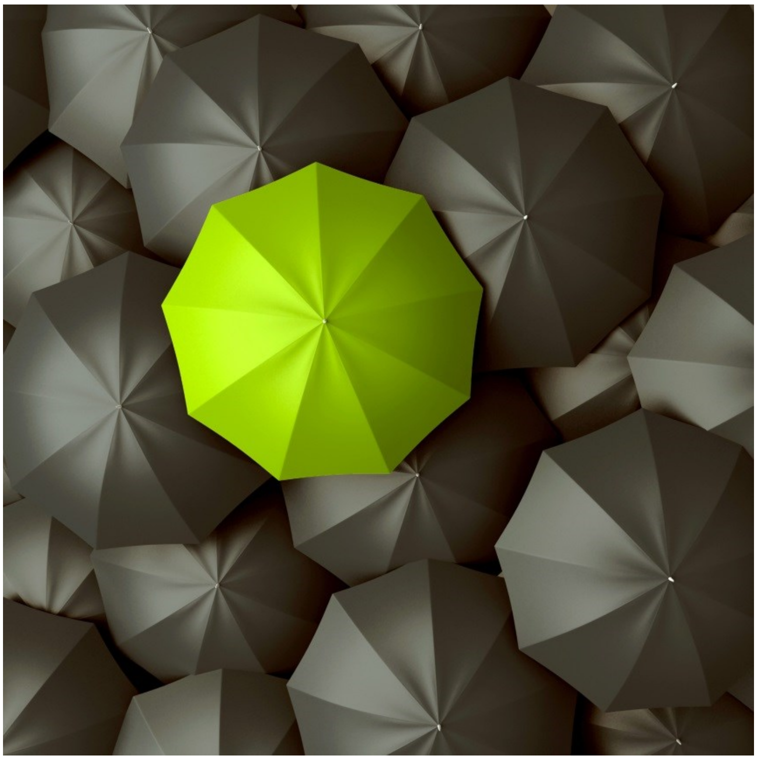
***Exchange of Faculty* to teach business and society modules within existing programmes.**

Communication and visibility via the **Council Community website** and **blog** featuring regular articles, research and opinion pieces on issues relating to leadership and governance, diversity, sustainability, business ethics, energy, employee health and entrepreneurship.

Student Surveys summarising how our students view key issues facing business and society.

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

Getting involved



A singular presence with a global mission

REACH US

The Council on Business & Society website:
www.council-business-society.org

The Council Community:
www.councilcommunity.com

Our LinkedIn Group:
the-council-on-business-&-society

The latest Council news on Twitter:
#The_CoBS

Reduce, Re-use, Recycle