

CHAPTER 4

Responsibility of Business Schools to train Leaders sensitive to Global Sustainability

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Business Schools have been seriously challenged in recent years and have sometimes accused of contributing directly to the financial and economic crisis that has deeply shaken the world and has not been yet overcome. Different types of arguments have been used against BS, including the setting up and use of financial tools and products that turned out to be to be catastrophic; greedy behaviour at such a level that moral hazard negative effects are hugely amplified; a constant preference for short- and even very short-term decisions, forgetting any long-term vision; more globally, a kind of contempt for global sustainability, despite a light painting of courses and research giving no more than an insufficient flavour.

These criticisms are clearly largely exaggerated and reflect the common bitterness emerging from the subprime and financial crisis. In fact, Business Schools are more and more concerned with sustainability in every aspect including environmental, economic and social matters. Still, a lot more needs to be done.

A MAJOR CHALLENGE FOR BUSINESS SCHOOLS

An important factor is the strong demand expressed in this direction by students. There has been surely a real move in recent years. The most important aspects of this strong demand are environmental aspects, on one side, and

corporate social responsibility, on the other. Students are less and less involved in politics in the classical sense (right/left, etc.), even in the countries in which they used to be, and are developing a broader sense of politics (which future for the “*cit *” and for the world?) linked to an extended sense of responsibility. They also themselves undertake pragmatic action to bring a direct contribution or wish they could. The World of NGOs is also becoming more and more familiar to BS students, an emerging trend being that young alumni can easily decide to work in an NGO for some time and then have a more “classical” job, and conversely.

It is also a fact that the vision of Global Sustainability can vary depending on cultures and nationalities. I have in mind the strong difference between German and French student perceptions one could observe at School in a debate on nuclear industry (which indeed took place before the Fukushima drama), where the French considered it as a clean and sustainable development contribution, whereas the Germans were totally and vigorously opposed to this vision (the BS students’ vision reflecting here global different national perceptions).

On the BS Executives and professors side, there is an imperative need for global sustainability. In a classical way, we see the emergence of a specific industry in this field, meaning jobs, demand, development and profit opportunities. The different kinds of sustainability issues are spreading in all businesses and regard Business Schools core activities in any aspect.

GLOBALIZATION AND SUSTAINABILITY

What characterizes the current wave of globalisation is the move generated by the technologies of information and communication, which started in the 1980s in a limited number of industries such as textiles, spread out in the economy in the 1990s and continues breaking on the global economy. Competition does not take place only between countries and companies any more, but within companies themselves, which are now permanently confronted with choices linked to the optimization of their supply chain. How to manage outsourcing and offshoring at the lowest cost? How to reduce, as much as possible, transport and inventory costs? How to be less dependent on cost/price competition through an active innovation and a business model preserving global competitiveness? This leads to what Richard Baldwin (2006) calls the *Unbundling of the value chain*, which generates a general climate of uncertainty and suddenness. It clearly strongly interacts with sustainability. On economic and social aspects, the instability of sub-contracting and buying policies mechanically induced by this process goes against sustainability. Optimizing supply chain policies in the context of the global village implies increasing volatility. Though the challenge of green supply chain is getting more and more important.

Under another angle and following here a classical scheme, globalization fosters the sustainability imperative, since it accelerates the intensive exploitation of natural resources and raw materials. This is linked to the former parameter, since it directly impacts the cost and flexibility of transportation, the prices of products and services, more globally the whole supply chain process. It also confers a greater awareness of the limited resources of the planet. Still, the extensive use of information systems, computers and smartphones in the context of professional/private life is not very ecological, while not generating much guilt among consumers and citizens.

CULTURAL CAPITALISM AND SUSTAINABILITY

Some years ago, Jeremy Rifkin (2000) shed light on the cultural nature of contemporary capitalism. “Cultural” is here meant in its broad sense: the power of brands, of design, story-telling and creativity. This matters for the quick rise of the so-called cultural or creative industries (fashion, luxury, communication, medias, cinema, music, architecture, design, etc.), but also for consumer goods and services in a more general sense, from Disneyland to the Urban culture, from Nike to Starbucks Coffee. Cultural capitalism questions the classical “think globally, act locally” motto: the reverse proposal, “think locally, act globally”, sounds very true as well. Globalization facilitates the diffusion of products and brands with a local identity, the image of which reflects a given culture and background. What makes these products/brands attractive is also that they embrace the codes of globalization, avoiding remaining strictly “ethnical” which would prevent them from having a high market power and potential. Preventing the consumer from getting bored supposes to largely amplify the immaterial content proposed to him or her. The immaterial/intangible economy concept is linked to the one of knowledge economy, which tends to be sometimes too much linked to Research and R&D challenges, eclipsing the fundamental idea that it deeply concerns too the relationship towards design in the broad sense, imagination, sensitivity, contemporary mythology. This looks a priori very favourable to sustainability, since it emphasizes non material aspects of consumption in an environment marked by brands constituting the pillars of our immaterial landscape. Nevertheless, it does not affect the tendency to accelerate over and over again consumption of new products and services. The life cycles of products and services keep on getting shorter. Searching for growth and development results in the renewal of products, “surprises” and “solutions” offered to the consumers.

This of course contradicts the consumers’ demand for sustainability. In this ambiguous context, new consuming paths emerge along with new lifestyles. As an illustration, the 100 miles challenge, according to which only consuming products which have been manufactured at a distance less than 100 miles

should be encouraged and even allowed, at least in the case of food, lies in the forefront of these emerging trends. Other patterns appear, such as second-hand markets, as well as vintage consumption. This is a mechanically endogenous process which is sustainability-compatible. The question is to know how far these trends will structurally transform consuming patterns.

FINANCIAL CRISIS AND SUSTAINABILITY

As well as for production and consumption, technologies of information and communication have largely contributed to financial globalization, since they have facilitated the mobility of capital. The current financial crisis of developed economies is usually described in terms of macroeconomics referring to the debt of nations, budgetary deficits, the regulating and also noxious power of speculation, etc. It needs to be emphasized here that, as for the other aspects, this is also strongly linked to microeconomic parameters, therefore as expertise fields coming somehow under Business Schools. This is indeed not denied, but in general evoked in quite superficial terms, for instance as regards excessive bonuses allocated by Banks to traders. The important factor is that this question is related to a broader and more fundamental one: the right way to measure the value of assets, bonuses being correlated to the gains in values and also to their variability. This is strictly linked to the accounting standards conditioning the assessment of values. The traditional method consisted in referring to “historical costs”, which tended to be sometimes disconnected from the economic reality, when the real value of assets was diverging from their historical one. What is called “fair value” means in fact market value, which indeed sounds “fair”, but raises considerable problems when there is no or no more market, that is no sellers and buyers. In the absence of a market, the use of models can enable the measurement of the value of assets (“mark-to-model”). But the scientific nature of these models, how sophisticated they are, can be easily questioned and is incidentally more and more so. All these elements favour a high level of volatility.

Financial volatility, adding to consumers’ volatility and industrial volatility: all this creates an environment full of uncertainties and of general instability, which clearly enters into contradiction with the idea and quest of sustainable development.

THE DIFFERENT APPROACHES OF BUSINESS SCHOOLS

Sustainability concepts are now perfectly and largely integrated within Business Schools. Corporate Social Responsibility (CSR) has become a kind of common name, and this has been reinforced after the recent financial crisis; it is the same with environmental matters. This does not mean that there is

only one way to deal with sustainability in Business Schools. Although each BS wishes to plough its own way, two models can be clearly identified, with a global distinction between the American and the European approaches. Let us add that this dichotomy is used for giving here a clear-cut analysis, knowing of course that the reality is more subtle; in particular the British approach is somehow quite close to the American one, and there are frequent differences between the BS themselves in the United States and in Europe. Still a dichotomy exists, referring to a more general one: the belief of the virtues of the market economy and its capacity to manage any challenge including sustainability (American approach), on one side; the conviction that the market economy needs regulatory long-term oriented measures to be compatible with sustainable development, on the other side (European approach). Asian Business Schools enter more and more into the debate. It is premature to identify a specific approach at this moment, although the influence of American methods tends to outdo approaches which would exhale specific cultural influences (ex: the concept of harmony in the Chinese culture, etc.)

The market-economy oriented American approach does not by far exclude the idea that rules should be elaborated, well thought out and respected. On the contrary, guidelines given to decision-makers are most useful in this perspective. This is what we can call a compliance approach. Another important factor is the expression of the philanthropic culture inherent in the American culture. Generosity and giving do matter. They are conditioned by the commitment of Business leaders and managers at any level, who can and must (in the moral sense) participate in sustainable development by giving money and time to honourable purposes, which is also true for companies themselves. This favouring of philanthropic practices takes place not only within courses but also with the development of students' philanthropic projects through participation in NGOs. This policy never questions the freedom to decide what needs to be done, which depends on the responsibility of people themselves.

European Business Schools also teach the compliance approach and encourage philanthropy in student awareness, probably in less a systematic way. But they rather explore new sustainable social models, the tensions between business models and the ecological and social challenges, new ways for regulation to make the market economic system compatible with the sustainable challenges (role of the State or of independent Authorities; Environmental accounting, etc.).

Both approaches also foster "social entrepreneurship", but sometimes laying stress on different backgrounds (profit opportunity on one side; socially responsible investment on the other). Of course, this can be de facto fully convergent. Besides, all BS tend to develop partnerships with institutions reinforcing their expertise and visibility in sustainable development.

THE ENVIRONMENTAL PREREQUISITE

The substantial importance of the environmental approach is taken into account in BS. In particular, the Green economy is considered as a new area for developing business activities. More globally, BS are ready to play more important a role. The difficulty notwithstanding remains in finding the right way to do it, and this is true for American as well as for European Business Schools. We are here in the heart of a paradox: Economic science is supposed to be the science of scarce resources, but environmental matters (the most typical example of scarce resources) are not taken much into account in the models in a deeper way than as being considered as “externalities”. And this is also true in management sciences. So there are a number of courses, majors and master degrees referring to this subject, but there is a crude reality: Ecology does not really belong to the core of Business theories, models and teaching.

Another important point is the challenge to align the evolution of the market and of competences. Jobs in this industry are not so numerous, at least at this moment, and it would be fallacious to orientate the students in this field in an excessive manner. But it is also sane that all the students have a real awareness and analytical understanding of the subject, so as to be innovative players once they are in a position to make strategic and operational decisions.

MORALS AND ETHICS

The crisis has generated intense questioning of ethics and moral behaviour as a condition for a healthy and sustainable development in the coming decades. Amoral behaviour is said to have harmed economics and society. Indubitably the financial crisis can be interpreted as an effect of a moral hazard syndrome, as it was defined by Adam Smith: those who have made the bad decisions were in fact not responsible for the effects of these decisions. This has created a global irresponsible environment, leading the world to a dead end. Reducing moral hazard certainly is a key sustainability factor for the future. However and out of this primordial question, a certain confusion arose in BS and around them about the significance of ethics. Ethics are often supposed to be introduced or extended as a specific course and also diffused in all disciplines. A first problem deals with a harmful confusion between morals and ethics. If we refer to Max Weber, morals consist in acting by duty, whereas ethics consists in acting according to duty. Should we educate people so as they do things because they must or because they naturally feel like doing it? It is indeed not necessarily incompatible. *To behave* can be supported by both principles, but the two types of behaviours are not however identical. Ethics look better and stronger than morals, but it also opens the true question of duty.

“Truth on one side of the Pyrenees, error beyond,” said Montaigne. As an example, a Confucian understanding of ethics can be different from a Christian one, and examples could be multiplied, in function of the diversity of cultures.

Besides, it looks quite strange to remark that these types of debates surprisingly tend to forget that there is a discipline, the core of which is anchored on a question such as ethics, which is philosophy. BS would gain in referring to thought elaborated over numerous centuries by Plato and Cicero, Kant and Spinoza, among many thinkers. How to reach sapience could be an appropriate motto for decision-makers' Education.

RESEARCH AS AN ASSET OR A HANDICAP?

This title seems to be provocative, since Research by definition aims at exploring the ways of reason and deepening knowledge, for the good of society. So research about sustainability is appropriate for correcting the present and preparing the future. However, the nature of Research in BS can paradoxically turn away — at least sometimes — from the real challenges of sustainability. So the positive impact of Research, which should be substantial, is unshakable but also partially ambiguous. The question here is not to deny the excellent works done in many aspects, such as the seminal works in strategy in the early 1980s about the transformation of the value chain and externalization, ten years before the economists really did tackle the subject; the flourishing works dealing with Corporate Social Responsibility; the consideration of environmental factors in management control, etc. But the problem is that Research is more and more specialized and scientific, at the expense of transversal and systemic approaches, anthropological and cultural analysis. As in many fields, Research is certainly more rigorous and scientific than it used to be, since it is codified by high-level publications criteria. But this can also carry on visions which are not large enough, whereas working on sustainability would benefit associating different and complementary visions and paradigms. We can think of a line by T.S. Eliot, saying that “a specialist is one who has sacrificed too much for too little”. But the problem here is more specifically linked to epistemological foundations of soft sciences, with a dose of hard sciences on ecological questions. Sustainability is a global questioning, and it necessitates a strong collaboration between different disciplines, which supposes overcoming the focusing on different axes of research progressing in parallel. Even in strict management/economic science, mixing economics and finance and accounting can appear perfectly opportune and useful for understanding the foundations of economic sustainability, but nothing in the scientific publication criteria tend to encourage this kind of meeting. In a nutshell, Sustainability requires holism, but this simple and natural principle is far from

being applied in BS academic circles, because it can be eventually discredited by the “rating agencies” (accreditors/rankings) impacting the career objectives of researchers.

THE CONTEMPORARY PARADOX OF TIME

Many companies and people are now in search of sustainability, starting with their own durability. Softening the struggle to stay alive appears like a kind of shared and legitimate aspiration, with a deeper consciousness of the effects of generalized moral hazard. Simultaneously time keeps on accelerating and seems impossible to slow down, as is the unceasing flood of emails in the mailbox of decision-makers. Life cycles of products and even services are accelerating. Slow motion is difficult to bear because it is boring, unless it is the fruit of a deliberate project, such as the slow food movement. And meanwhile the need for greater stability reinforces and the planet is exhausted. The French writer Henry de Montherlant said last century that there would come a time when “slowness will be the only way to express a certain delicacy”. Contributing to finding a new and sustainable balance between short-term and long-term perception and action needs to be an at least implicit orientation of Business Schools for the Future.

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