

## A small but growing number of business schools focus on the issue of corporate social responsibility

**A**n interdependent world economy, linked by technology, commerce, and communication, requires corporate leaders to have a global outlook on business. For a small but growing segment of management institutions, that global outlook is being taught through programs that emphasize corporate social responsibility and sustainable enterprise—attitudes and techniques that force corporations to consider the consequences of their actions before they even begin.

“I work with the idea that corporations are responsible for the intended and unintended impacts of their activities in at least three areas: economics, society, and ecosystems,” says Gail Whiteman, assistant professor in business society management at the Rotterdam School of Management at Erasmus University in The Netherlands. “All three of those operate at both local and global levels and also interact with each other.”

Putting social responsibility at the center of strategic planning changes a corporation’s whole outlook, says Whiteman. “It reframes the issue of who is a stakeholder,” she says. “If you look at the corporation as the most important player, you’d say certain people or organizations are stakeholders of the company. If you look at the actual world—the earth and society—as the stakeholder, then you can see that corporations are one stakeholder out of many.”

Irresponsible corporate management contributes to the degradation of the global environment, as well as a disruption of rural societies, say experts. But that’s not the only problem. Capitalism, which fuels much of the world’s economy, fails to include about two-thirds of the world’s population. Disenfranchised and angry segments of emerging markets turn to antiglobalization demonstrations, which are most visible in acts of terrorism and incidents of urban rage. Business practices that include the poor and do not threaten alternate cultures stand a better chance of long-term success.

“Corporate social responsibility is a critical ingredient of a world that has globalized around economics, the environment, society, and culture,” says Nigel Roome, chair in sustainable enterprise and transformation at Erasmus. “What we are seeing is a raging debate between those who seek their identity through consumption and those who perceive identity through forms of fundamental religious belief. Violent incidents will emerge because people are violent when they don’t think they belong to a system. How do you respond to that? Do you say, ‘That’s a wake-up call to the fact that my system isn’t making everybody happy?’”

Taken altogether, doing business in a volatile world can

be a daunting prospect for multinational corporations. They have to realize that social responsibility “affects everything they do today and will be one of the primary drivers of future strategy,” says Stuart Hart, professor of management and director of the Center for Sustainable Enterprise at the Kenan-Flagler Business School, University of North Carolina at Chapel Hill. “We take the view that issues around global environment and social concerns probably will become the most important driving forces for business in the coming decade or so.”

### Fueling the Demand

While the movement toward social responsibility has gathered more momentum in recent years, to some extent, it was always present, says Whiteman. “Often, the idea of corporate responsibility grows out of philanthropy,” she says. “Corporate responsibility also is a response to pressure from consumers, nongovernmental organizations, and international agencies like the United Nations or the World Bank.”

In more recent years, corporations have reacted to environmental pressures. “Because of the nature of the business they’re in, a whole range of companies have to deal with sustainability issues,” says David Wheeler, Erivan K. Haub professor in business and sustainability at the Schulich School of Business, York University, Toronto. “In certain sectors of business—natural resources, chemicals, almost anything having a significant impact on the natural environment—most leading companies are interested in the issue.”

Another key factor may be that the demographic of the world market is changing. As the consumer base in existing markets becomes saturated, companies look for emerging markets. “Because it requires a different model to do business in these extremely poor environments, you find people thinking about more inclusive models of capitalism,” says James H. Johnson, director of the Urban Investment Strategies Center at the Kenan Institute, also at Kenan-Flagler. “Inequality is bad for business. Doing something to narrow the gap is a form of enlightened self-interest. It enhances market opportunities. It creates the next generation of consumers.”

All of this is leading to a slow revolution in business schools. “There is a sea change in the business school clientele. It has become more international, and more racially and ethnically diverse,” says Johnson. “More students are coming from communities and contexts that have enormous social and economic problems, and they have a desire to gain serious business skills and go back into those communities and make life better. They’re asking for a different kind of busi-

by Sharon Shinn

illustrations by Neil Brennan

# TAKING

—teaching the next generation of business leaders how to do business that does no harm.

A man in a suit is walking on a globe, which is the central focus of the image. The globe is shown in a perspective that makes it look like a curved surface. The man is walking from left to right. The background is a bright blue sky. The overall image has a grainy, artistic quality.

# RESPONSIBILITY

## Give Peace a Chance

At the University of Michigan, researchers are setting out to prove that responsible business doesn't just preserve the environment and cherish existing cultures; it ensures stability in the world. "We're trying to see if there is a connection between business practices and sustainable peace," says Timothy L. Fort, associate professor of business law and business ethics. Fort has developed the Peace Initiative with Cindy Schipani, professor of business law and chair of the department of law, history and communications. "The premise is that businesses can contribute to sustainable peace because they can provide economic development, and with that development come opportunity and resources. You head off the competition for scarce resources and get different ethnic groups to work together on a common project for the first time. The common goal may be something as simple as making money."

Among other things, they're investigating the correlations between corruption and violence and whether socially responsible businesses can contribute to a stable milieu. By consulting existing databases on corruption perception and dispute resolution, Fort and Schipani came up with "a perfect correlation between those countries that are most corrupt and those countries that are more likely to resolve disputes by violence," says Fort. "Those that were most corrupt resolved disputes by violence 60 percent of the time."

Fort and his partner also are trying to establish correlations between peace and the specific values of gender equity, human rights, and a voice in government. After that, they want to examine whether a business that operates in a socially responsible fashion can have a spillover effect on the culture by giving people the idea that "there *should* be more gender equity, less corruption, and more voice in the government," says Fort.

Fort admits that the concepts of liberal values, a democratic voice, and gender equity have a very Western bias, but he believes, in this case, that such a bias may not be a disadvantage. "Frankly, that doesn't bother me if, in fact, fewer people die," he says.

If they're able to prove their theses, Fort and Schipani hope to involve the academic community in a series of papers and conferences that examine the issues from a number of viewpoints. The first successful conference on peace was held last

ness education, and they're demanding that we respond."

It's crucial that the next generation of CEOs be educated on these issues, says Roome. "The leadership skills needed in the next 30 years will be fundamentally different from those of the last 30. Leaders are people who perceive what others don't see and start shaping responses in ways that organizations can cope with. I tell my students, if they want to be leaders rather than occupational analysts, they need to think about the context of business, the way it's changing, and the implications that has for the nature of capital and capital use."

### The Business School Approach

Even though the concept of social responsibility is not new, it has only recently become part of the business school curriculum. Schools that do offer such courses often bundle them with business ethics courses, and overview courses are still optional. "The idea of greening business schools and MBA programs is an important one, but we're not there yet," Whiteman says.

UNC-Chapel Hill is one of the acknowledged leaders in sustainable enterprise, and Hart joined the faculty there in 1998 in part because of all the activity at the school. "A lot of pieces hadn't really been pulled together in a persuasive way," Hart says. "By combining the environmental and social pieces under the umbrella of sustainable enterprise, we broke down a lot of barriers. Typically there are factions of MBA students, some interested in minority enterprise, some in social justice, some in poverty alleviation. Others are greenie types. We brought all these agendas together and created a synergistic way of looking at the field." It's a popular field of study. Recently, one of the required classes for the sustainable enterprise concentration brought in more than half of the school's second-year students.

The schools that offer sustainable enterprise teach individual courses on the topic, have students research socially responsible companies, and set up practicums and internships that expose students to real-world companies. But sometimes the schools also take more unconventional approaches. For instance, Whiteman encourages students to develop their own set of beliefs through journaling and other methods of self-discovery. More practically, she brings in speakers who can discuss "the impact of transnational corporations on local indigenous people. For instance, you would rarely have native people come into a business class—but I say, why not? Let them tell their story about the impact of the students' future actions."

She also wants to take students outside, so that when they're talking about environmental issues, they're surrounded by nature. She tells a story about a manufacturing plant

whose workers made sure to keep their cars away from vents that would spew out unpleasant particles. "But they never asked, 'What are these particles doing to the environment?' They just worried about their cars. The point is, if you could get managers to go outside, they would begin to interact physically with the results of their own decisions. It's important that we shift students from seeing the natural environment as an abstract concept to seeing it as a place where they can make business decisions."

### A Growing Field

While only a few schools currently offer courses on social responsibility and sustainable enterprise, advocates predict their numbers will grow. "It's really a diffusion process that is

year, and another one is planned for this November. Fort expects a third and possibly a fourth conference to be scheduled in following years. The idea has such diverse appeal, he says, that one of the participants was an architect “who has done work on how to construct buildings so that they reflect certain values, encourage participation, and have an influence on the psychology of the people working there.”

Fort and Schipani would then take their messages to corporate leaders, to give them additional reasons to practice socially responsible business, and to politicians, to encourage legislation that promotes good business. “Even if there aren’t direct legislative changes, there could be some sort of political dynamic in terms of pressure from NGOs and U.N. transnational organizations that might define what good business practices look like,” Fort says. He’s already talking to the World Bank about developing a distance study program around the world to discuss these interactions.

The Peace Initiative is funded primarily by the William Davidson Institute, which is part of the University of Michigan Business School and focuses on emerging markets and post-communist countries. The program is also funded by Aspen Institute’s Initiative for Social Innovation Through Business and individual donor Erika Parker.

Fort, who got tenure a year ago, sees the Peace Initiative as his dream project. “I asked myself, ‘What are the big questions you’d like to go after so you don’t get stale in your job?’ I wanted to take the risk and roll the dice. I can tell you, this is what tenure is supposed to be about.”

in the early adoption stage,” Johnson says. “But there’s no question in my mind—after 9/11, and given global disparities and the antiglobalization movement—that we’re going to see more and more attention devoted to this topic.”

“Sustainable enterprise is a lot like globalization was ten or 15 years ago,” says Hart. “In the early stages, business schools handled it by hiring a few faculty who were supposedly specialists, and they had one separate class on global enterprise. In time it became integrated. And I think that’s what will happen here. There’s really no other way.”

“In all candor, it’s a bit of a balancing act, because the MBA curriculum is already pretty jam-packed,” says William Rosenzweig, director of the Socially Responsible Business Leadership Initiative at the Haas School of Business at the



University of California in Berkeley. “Our ultimate hope is that the program will start to infuse the thinking of the whole MBA education. It won’t be a separate thing. When you take organizational behavior, you’ll get a case that’s relevant to this topic.”

Several things must happen before corporate social responsibility becomes mainstream. First, there must be a market interest, says Timothy L. Fort, associate professor of business

law and business ethics, University of Michigan Business School in Ann Arbor. “Traditionally in business schools, there haven’t been a lot of positions for junior-level faculty to be ethicists or corporate responsibility specialists. But about 20 years ago, a number of major donors said, ‘This is really important. I want to establish a chair and find somebody to teach these courses.’ There’s a momentum and an infrastructure out there now, so more junior-level people will be hired and more conferences will be held.”

This new faculty will need to have a range of skills. Corporate social responsibility “is not about a core functional area such as finance, accounting, and operations,” says Johnson. “It has to be embedded in sociology and culture. At our school, the faculty are interested in business, but they also have training in sociology, economic geography, and cultural anthropology. Business schools will need to hire people who have diverse skill sets in business school or who can build the necessary bridges from the business school to the social sciences. And they will need to create a curriculum that allows students to take courses within the business school and in other schools. We have a lot of students getting dual degrees in business and social work, or business and public health, or business and law.”

The task of hiring specialized faculty might not be as formidable as it first sounds. “The production of faculty that’s interested in this is growing,” says Hart. “Here in the strategy area, I have three Ph.D. students with sustainable enterprise as their focus. The number of young faculty needs to increase by a factor of ten with this as an interest area.”

Schools that may initially resist adding social responsibility courses to their curricula will be motivated to do so in

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response to world events such as the Enron collapse and the increase in terrorism, says Fort. “I’m optimistic that in 20 years you’ll see increasing attention devoted to these issues in business school,” he says.

### Student Profile

The schools who already offer a concentration in social enterprise find, not surprisingly, that their student bodies are highly diverse. Many students are from developing countries; though they may have elite backgrounds, they are concerned about environmental pollution. “These people are also annoyed at the Western approach to business. They don’t think it’s necessarily the way to go,” says Whiteman.

Adds Johnson, “They’re typically people who have a very

strong commitment to the community and think about making their nation more competitive. We have international students coming from emerging markets and, from this country, people of color from inner city or rural communities where inequalities and disparities are real.”

Students attracted to the sustainable enterprise program at UNC are high-quality applicants, Hart stresses. “They have higher GPAs and test scores. More important, they have more and better work experience. And even more important, they’re intellectually motivated and socially committed people with a personal sense of mission. Their primary motivation is not to raise their salaries by \$50,000 and play a lot of golf.”

Fort says students come into Michigan’s classes with a variety of perspectives. Some want to learn to run nonprofits in a savvy way; others want to turn corporations into engines for social change. “The third group consists of people who are curious and a little skeptical,” he says. “The fourth group wants to come in and show us all that this is a bunch of nonsense. The fifth group has heard that it’s a fun course, and they want to see what the hullabaloo is all about. I will say that people go out of the class with a conviction that this new emphasis is important.”

While some students already have a defined world view, others are waiting to be inspired, says Rosenzweig. “It’s something of a catalytic process when they get exposed to people who are integrating their own values into their livelihood. They say, ‘I want to be working in a way that’s consistent and harmonious with my values.’”

Will the lessons they’ve learned stick with them once they’re back in the business world? Fort simply hopes to sow the seeds of further thought. “Some students will act on these ideas immediately,” he says. “Others will file them away; a few will ignore them completely. I’m not sure a course on these topics will prevent an Enron, but I think it will make people who take these classes a lot less likely to end up in these situations.”

### A Promising Future

Those who specialize in corporate social responsibility are optimistic about its future, as they see both companies and business schools begin to embrace the concept. But for the concept to really catch on, Johnson says, “you’re going to need two or three big-time successes. The diffusion curve will begin to accelerate and people will realize, ‘These markets are huge, but we can’t do business as usual while we’re there.’”

Rosenzweig thinks we’re on the brink of nothing less than “a profound transformation of what the American way of life

## Social Outreach

Not all training for social enterprise is going on in the MBA classroom. A few schools are expanding their programs to executives and entrepreneurs.

■ In 1999, the Haas School launched The National Social Venture Capital Competition, a student-run competition for nonprofit ventures that incorporates financial sustainability and quantifiable social or environmental returns. Last year, Columbia Business School and The Goldman Sachs Foundation came on as partners. For the 2002 competition, 77 entries were submitted from 31 business schools. Competitors typically focus on entrepreneurial solutions to problems in health care, energy, education, technology, and the environment. This year, the winners shared more than \$100,000 in seed capital and also were exposed to potential funders.

■ The Schulich School at York University in Toronto has recently launched an executive education program called the Sustainable Enterprise Academy, which attracts senior executives from North America and Europe. The program has been funded by five major corporations—Petro-Canada, DuPont Canada, steel company Dofasco, energy giant Suncor, and engineering consultancy firm AMEC—who put in about \$1 million over three years. York is planning to join forces with UNC-Chapel Hill this fall to expand its Sustainable Enterprise Academy, and the schools are hoping to eventually develop a global network of schools to teach the topic. The Haas School is also planning to offer an executive education program on sustainable enterprise that might begin as early as next spring.

## Building the Pyramid

At UNC-Chapel Hill, the sustainable enterprise program is built around two challenges, says Stuart Hart. “First, how do you improve eco-efficiencies and reduce material and energy waste emissions, while ensuring legitimacy and maintaining your reputation with important stakeholders? Second, where are the growth opportunities for the future? For the second question, we settle rather clearly on the bottom of the pyramid. Growth will come from the four billion people whose needs have been unmet. We need to figure out how commerce can improve their lot in life—in a way that doesn’t destroy the planet or compromise cultural integrity.”

Kenan-Flagler has constructed a whole program called the Bottom of the Pyramid Learning Laboratory that looks at “issues of poverty, inequity, and environmental degradation



looks like. I think a lot of this transformation is going to come out of the creation of new companies. Large existing companies are going to be much harder to change.

“The hottest areas in this niche right now are sustainable energy and clean tech,” he adds. “There’s also a lot of interest in water supply, food security, and food supply. If you’re an organic food company, you’re going to make all your business practices harmonious with the sustainable world. The emergence of the markets will converge with the entrepreneurs who want to fill these niches, and then venture capitalists will come and say, ‘We choose to participate in this kind of venture. We want to start measuring not just the financial returns on our investment, but the social impact as well.’”

While there is much left to be done—and many social and environmental messes to clean up—Whiteman thinks business

as business opportunities,” says Hart. The Base of the Pyramid Learning Laboratory is supported by member corporations such as Johnson & Johnson, Hewlett-Packard, DuPont, Proctor & Gamble, Coke, Nike, and Ford. It also involves organizations such as World Resources Institute and private investment groups. The assembled groups develop cases, tools, and products for emerging markets.

One project revolved around a British company called Adaptive Eyewear, which created inexpensive eyeglasses with fluid-filled lenses that could be manipulated until they were the right density to focus the wearer’s vision. “Think about emerging markets in rural Africa, India, China—they don’t have large numbers of optometrists and opticians, nor are there people with the income to buy glasses,” says James Johnson. “A product like this creates business opportunities for people who sell them, distribute them, and repair them. And there’s a multiplier effect, because who knows how many people, by virtue of having improved vision, may turn out to be the next Bill Gates?”

Not only that, the manufacturer itself stands to profit. “Let’s say the company gets one percent of the China market. I’d take that,” says Johnson.

Another project focused on the AIDS crisis in southeast Asia. “At the time, they had an AIDS test that cost \$12.50 and took two weeks to get results,” says Johnson. “A local company developed an AIDS dipstick test that cost \$1.50 and had a 24-hour turnaround. So we connected that company with an MBA from Thailand who had graduated from Kenan-Flagler. They formed a joint venture and sold 800,000 AIDS kits in the first six months. Again, there was a technology that fit the context, that addressed a pressing problem, and that was affordable.”

Base of the Pyramid companies are all focused on developing innovative business models that do not harm the environment and that enhance social well-being, Johnson says. “Disruptive technologies have to be developed, but understanding the context is also important. In some places your product might have to be marketed at the village level. Understanding the cultural nuances is all part of corporate responsibility.”

leaders are up to the task. “One of the best things about business is that it’s filled with people who know how to *do* things,” she says. “They’re not just thinkers and talkers. Perhaps the most innovative minds will be the ones who will be turned on to this the most.”

The question remains whether other academic and business leaders will take up the banner of corporate social responsibility. Given the inexorability of globalization, the fact that prominent corporations are already engaged in sustainable enterprise, and the very real environmental concerns facing countries all over the world, it seems inevitable that business schools will begin to pay more attention to this vital issue. How quickly and energetically they integrate the topic into their courses is yet to be seen—but the market may help determine the pace. **Z**