



Sustainability, Corporate Responsibility (CR) and Ethical Performance on the Cranfield MBA

2009-10

Foreword

I am delighted to welcome you to Cranfield School of Management. Our vision of transforming management knowledge into know-how and action is core to our business model. Most importantly we want to play a role in making a difference in the lives of our students, staff and alumni by better understanding the diverse and complex environment in which we do business. We believe that for individuals and organisations our decisions must be made contextually – therefore we must understand our responsibilities to our environment, people and communities who are stakeholders of our organisations. As a leading international School of Management we are committed to the principles of responsible management education; educating, researching and managing using improved and innovative practices; and fair and ethical treatment with good corporate governance. We want you to share in this commitment and challenge. All organisations have a responsibility to stakeholders and must manage their impact in the environments they operate in different ways.

During the course of your programme you will engage with these important and challenging issues. We firmly believe that the business of business is no longer just business, but sustainable and responsible business. Please join us in this exciting journey ahead.

Professor Frank Horwitz
Director
Cranfield School of Management



WELCOME TO CORPORATE RESPONSIBILITY AT CRANFIELD UNIVERSITY

Will your Cranfield MBA be sustainable? You are investing a lot of time, money and emotional energy in your MBA. You rightly expect it to be a good life-time investment. One of the central questions facing business and society nowadays is sustainable

development: meeting current needs without compromising the ability of future generations to meet their needs. Views differ on how climate change, pollution, resource depletion, burgeoning (and ageing in some areas) populations, social exclusion and other global challenges will affect business – and, therefore, the practice of management. You will hear some of those differences of view during your time at Cranfield.

We will not tell you what to think about these issues – or about anything else during the MBA. We will, however, seek to challenge you to think profoundly and originally about what these issues will mean for you, the organisations you go to work for or create, and for society locally and globally. In particular, through your year at Cranfield, we encourage you to ask: *is whatever we are discussing sustainable from a commercial, environmental, social and cultural perspective?*

Every MBA course leader has been asked to say how sustainable development will affect their subject. Challenge faculty on this, to get different perspectives. If you want to drill deeper on the issues of sustainability and corporate responsibility, there are a number of opportunities to do so – both in the classroom and more experientially. These are described in this booklet.

Cranfield is one of a small number of business and management schools across the world with a dedicated centre for Corporate Responsibility and Sustainability, focussed on research, teaching and practice. The Doughty Centre team are here to help you to explore these issues critically as an integral part of your MBA. Even within the team, we have different perspectives, as well as different theoretical and practitioner starting-points. Please use us. Above all, use this next year to reflect deeply.

David Grayson, Director of the Doughty Centre, Cranfield SoM
October 2009

CASE STUDY: SVEN RINGLING, MBA(mod) 2006-7

When starting my MBA at Cranfield I was co-owner and MD of a small consultancy in Germany, iProCon GmbH, employing 10 people. I hadn't heard much about CR and the only relevant thing in our business was an ethics guideline we subscribed to, focusing on how we treat colleagues regarding growth opportunities and generally on being 'good guys'. Still, a few clients appreciated it.

During my time at Cranfield I learned more about the topic and started to think about how my firm could be more responsible and at the same time benefit from a sound CR policy. However, post MBA I focused on setting up a new consultancy in the UK and it was only when the management team of iProCon Germany sent me a message in Spring 2009 that the topic came up again. They realised that travelling, by far the largest creator of our carbon emissions, has shifted considerably from cars to trains and that this is reducing our carbon emissions by about 25 tons/year. They asked whether this number could be used for PR purposes.

I took the opportunity to put CR on the agenda and at the first meeting everybody realised assigning an arbitrary number on emission reduction, without guidelines showing purpose and without periodic reporting, would be recognised as pure PR. We agreed to develop a CR 'road map' focussing first on the most 3 important and achievable elements, and building on it over time.

During the discussion it became clear that adherence to a sensible CR policy would have positive effects not only on client relationships (an increasing number were asking for our CR policy) and attractiveness to future clients, but particularly on our employees and candidates. We identified 3 key areas (colleagues, carbon emissions, local community), a timeline for CR policy development, and agreed on yearly reporting of some sort.

We also agreed our Golden Rules: to encourage partners and suppliers to consider a CR policy; all colleagues will be involved throughout the process; the policy must be developed and implemented with business benefits in mind, enhancing: business stability, brand equity, competitiveness, partnership development, and importantly reinforce a fair and open corporate culture. We aim to have a solid policy in place by January 2010.

WHY AND HOW IS CORPORATE RESPONSIBILITY RELEVANT TO YOU?

World problems of global warming, climate change, diminishing natural resources and human rights are well publicised and now accepted priorities for governments, societies, businesses and individuals. However, a variety of other ethical and societal issues are less well publicised and less accepted as risks and opportunities for businesses to manage. Legislation has helped push the agenda on some of these issues into corporate mindset – such as Health and Safety, diversity and equality in the workplace, transparency and reporting, and leadership accountability – however issues such as conditions in the supply chain and responsibility for misuse of goods are still only proactively and positively managed by a relatively corporations.

As leaders of tomorrow these are just some of the issues you will be responsible for identifying and managing to success.

Corporate responsibility (CR) is the most common term used to encompass the efforts of business to manage all these issues (and more) – with an emphasis on proactively managing for corporate, societal, and environmental success. These issues affect every aspect of a business, from leadership to operations, supply chain, New Product Development (NPD), HR, to marketing. They are not solely the responsibility of a bespoke set of people or department, but of everyone in business. Throughout your MBA you will learn, and need to seek out, the answers to how you can successfully help or lead your organisation become more responsible and sustainable.

The Doughty Centre defines a responsible business as one which is committed to: minimising negative environmental and social impacts and maximising positive environmental and social impacts; open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment designed to deliver sustainable value to society at large, as well as to shareholders

It is not a bolt-on to business operations - it has to be built-in to business purpose and strategy

It involves managing impacts in the:

- Marketplace: e.g. protection of vulnerable customers, responsibility for misuse of its products and services, sourcing sustainably
- Workplace: e.g. creating a great place to work, managing diversity and equal opportunities, health and well-being
- Environment: e.g. reducing carbon emissions, waste and use of non-renewable resources
- Community: e.g. education, employability, economic renewal

Why does it concern you?

Besides being the right thing to do...

95% of CEOs said society has a higher expectation of businesses assuming public responsibilities than 5 years ago (McKinsey Quarterly: 2007 survey UN Global Compact)

...it is also because corporate leaders are increasingly recognising the importance of CR to business...

More than 90% of CEOs said they are doing more now than 5 years ago to incorporate environmental, social and governance issues into their core strategies (McKinsey Quarterly)

Management consultants ADLittle identified 6 clear business benefits: reputation management, risk management, employee satisfaction, innovation and learning, access to capital, financial performance (ADLittle report: Business case for CR)

Nearly 70% of CEOs say CR is vital to profitability (ADLittle)

...and because businesses recognise the link between competitive advantage and CR.

DuPont saved over \$2 billion from reductions in energy use since 1990 (M Porter, Harvard Business Review Dec 2006)

OPPORTUNITIES TO LEARN MORE

The Cranfield MBA is robust and well recognised for quality, innovation and practical application of classroom learning. However, the more you put into it, the more you get out of it. Summarised here are issues across the classes where you can ask to learn more on how CR/sustainability is relevant. If a particular topic interests and you want to learn more, the onus is on you to explore this with lecturers and the Doughty Centre.

Accounting, financial management

- Triple bottom line: internal and external accounting mechanisms for non-financial performance as legitimate corporate targets and in budget/ROI (define, measure, report).
- Should liabilities include social/environmental costs the company is imposing on society and may in future have to pay for?

Business law

- Evolving 'soft law' on interests of other stakeholders and public expectations arising from it and expectations of directors duties.
- Recent tort cases influencing opinion on rights of redress of stakeholders with grievances.
- A company's sphere of influence and exercise of due diligence.
- Managing differences in legislation from country to country.

Economics, globalisation

- Scarce natural resources affect environmental and social aspects of economic decision-making.
- Growth of GNP not equating with growth of gross national happiness.
- Global competitiveness imperatives restricting capacity of government's fiscal

policy and deficit financing to address domestic social issues.

- Limitations of efficient markets and rational expectations assumptions underlying much of free market ideology.
- Where formal public governance is too weak to address market failure, what role is reasonable to expect of business?

HR management

- Are HR actions in line with company values and code of conduct?
- How to embed global values and standards while allowing for cultural relativism.
- Managing discrimination, freedom of association, bribery and corruption.
- Is HR managing resource efficiency or managing human relationships?
- What role for HR in internal labour, human rights policy and implementation?



Marketing

- What connections between marketing, brand image, and corporate reputation?

- How is trust built, maintained and destroyed - why does it matter?
- How does marketing relate to creating stakeholder value more broadly?
- Do marketing assets include positive stakeholder relationships?
- How are intangible assets identified, measured, managed?
- Responsible advertising.
- Bottom of pyramid marketing opportunities.

Operations management

- How to incorporate total responsibility management into total quality management.
- Implementing corporate health, safety and employee welfare policies.
- Managing environmental efficiency.
- Managing supplier relationships. Local site community relations issues.

Organisational behaviour

- What is organisation's purpose and your contribution to that?
- Understanding organisation's values and behaviours in relation to stakeholders.
- How to build an organisation that harnesses values of its main stakeholders, especially its employees.
- What is the extent of your personal power and responsibilities, not just those prescribed by your position?

Project management

- Doing environmental and social risk analyses.
- Stakeholder analysis, engagement and satisfaction tracking.
- Managing joint venture partnerships.

Strategic management

- Developing company vision, values, sustainability policy and integration into business and decision-making globally.
- Analysis of social and ecological environment, risks/opportunities by regions it operates in.
- Which issues are strategically important for long-term business success?
- Extent of active engagement with stakeholders?
- Which Director is responsible for CR, is there an appropriate accountability structure?

Supply chain management

- A company's degree of influence, legal and moral responsibility over value chain.
- How to leverage environmental and social performance by engaging value chain.
- Ethical and sustainable sourcing.
- Company's responsibility for its products, use or misuse?
- Whole life-cycle design.

Innovation management

- Harnessing new world dynamics to find new markets and changing consumer needs.
- Innovating the supply chain, production processes and resource management with scarce resources.
- Identifying new needs, markets, and products from social and environmental risks and opportunities scanning.

Change management

- Sphere of stakeholders and your responsibility to them (legal and moral).
- Developing a change-ready organisation suitable for impending environmental, resource, and skills restrictions.

RESOURCES/LINKS BEYOND THE CLASSROOM

Websites

You will find a continually expanding range of resources at www.doughtycentre.info. For an update of events, guest speakers, and meetings please also visit the website. For further information on responsible business you can visit:

World Business Council for Sustainable Development

www.wbcasd.org

BITC

www.bitc.org.uk

CSR EUROPE

www.csreurope.org

Business for Social Responsibility

www.bsr.org

INSTITUTO ETHOS for BRIC perspective

www.i.ethos.org.br

European Academy for Business in Society

www.eabis.org/

Corporate Citizenship Briefing

www.ccbriefing.co.uk/index.php/ccb

Beyond the classroom

- *Net Impact*: global network of MBAs, graduate students and professionals using power of business to create a better world DATE FOR DIARY: Conrad Young, former chairman of LBS Net Impact, chair of London Young Professionals Chapter, CMRI Thursday Oct 15th 6.30pm – 7.30pm
- *Doughty Centre Sustainability and CR student travel bursaries*: to attend a student run sustainability conference – i.e. Net Impact (Cornell Nov 2009); IESE (Barcelona Feb 2010) – apply to Doughty Centre via Thea Hughes
- *Cranfield Sustainability and CR Network*: forum for Cranfield students and faculty to present research and test out ideas, hear visiting speakers, explore new issues – monthly meetings

Further reading

There has been an explosion of books about CR. The Doughty Centre website suggests some books:

The Necessary Revolution. Peter Senge et al (2008)

Strategy for Sustainability. Adam Werbach – (2009)

Hot, flat and crowded. Thomas L Friedman (2008)

The power of unreasonable people. John Elkington and Pamela Hartigan (2008)

More than Money. Mark Albion (2009)