Global Sustainability: How can Business Schools Contribute?

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At the recent (April 2008) UNICON (Universities Consortium) conference held at Melbourne Business School's Mt Eliza executive education campus I was given the role of facilitating a morning's session on global sustainability.   We were fortunate in that we had two excellent speakers to set the scene, William Kininmonth, science advisor to the Science and Public Policy Institute and former head of Australia's National Climate Centre, and Kate Vinot, General Manager, Corporate Strategy for South East Water, one of Melbourne's major water organisations.

William Kininmonth argued that Humankind faces real problems but human-caused global warming is not one. However he claims that climate will change faster than we are prepared for and that water, renewable energy and food production are each regulated by changing climate. He also warned us that human survival is at threat and this is more to do with misunderstood science and misguided policies and that survival requires different policies to those for sustainability.

Examples he gave was the current thinking that Geosequestration (burying) CO_2 to burn fossil fuels (non-renewable) faster was not a good answer, nor is the redirection of agricultural practices so that Bio-fuels replace food crops to the detriment of the world's poor. Environment policies focus on reducing CO_2 emission rather than clean air, clean water, ecosystem preservation, etc

Kate Vinot argued that how business schools can contribute to global sustainability issues is by first building the capacity of organisations and individuals to grow shareholder value; secondly, and more particularly, by being the thought leaders on sustainability issues; and finally, to develop tools for sustaining organisational value for the longer term. To her sustainability means business school's addressing what are the:

- Direct impacts on many businesses
- Indirect impacts on many businesses
- Presents material opportunities and risks for sustained shareholder value
- Needs to be embraced as part of core business strategy and change management

What Is the Problem?

According to William Kininmonth climate will change whether or not this is to do with human interference or not. The fear of climate change, he argues, fails to recognize that climate is forever changing and that climate change is natural. He sees the problem in that sustainability implies man-

aging a controlled steady-state system whereas survival requires ongoing adaptation to an ever-changing system.

Kate Vinot sees the role of business schools as responding to changing business and societal needs and to show leadership in finding business solutions. From these solutions, to enhance capacity building for understanding and managing sustainability and driving change, and to developing new models to measure risk and value creation.

How Can Business Schools Respond?

These are my personal thoughts on how business schools can respond and is prompted by the question Kate Vinot posed to me: 'What things in the business school operating environment are man-made and therefore changeable and what is fundamental?'

What is fundamental is the business schools constant need to be both rigorous and relevant. The relevance means we have to be constantly developing expertise in order to be thought leaders for our clients. This means that faculty members need to take leave to study subjects such as sustainability, climate change and its effect not only on business but on society as a whole. This involves examining what our externalities are saying about us, and how can we systematically be identifying and removing perverse internalities?

Most importantly it also means redefining what we mean by success. It has become a success vs. significance problem and I fear that this will be the most contentious debate within the business school environment given its emphasis on economic success and short term shareholder returns.

To me I believe we are still, with some few notable exceptions, training managers and leaders for business success in the old (current?) paradigm rather than training them for success not only in business but success for the community and life success as well.

Rethinking Success

However way we view the argument, the overwhelming consensus seems to be that the important starting point is to stop doing a lot of what we are currently doing. From a business school perspective this means stop teaching that the only way of measuring success is based only on increased growth and consumption. To continue to do so means hastening environmental deterioration and hastening the decline of humanity (Lovelock, 2006; Lowe, 2005; Rees, 2003).
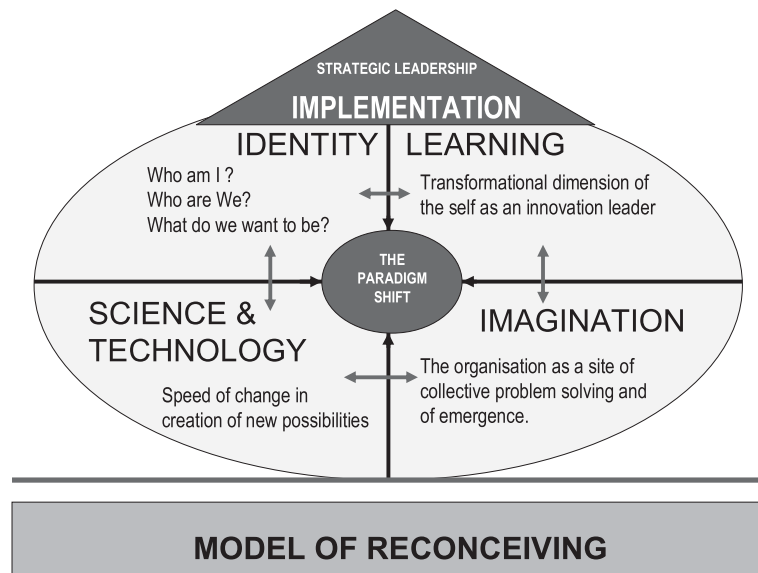
Currently the measurement of success is based on achieving more income from consumers than someone else. The more income you have the more successful you are. This may sound simplistic but in essence it is what the free market economy is based on.

Clearly it is to rethink this view of success that is the business school challenge. At the same time ensuring people enjoy a good quality of life is an imperative. How could we reward initiatives that enhance others quality of life if not through money? I don't have a ready answer for this, other than my belief that true rewards are often

intangible and are more about our inner wellness, but feel this is an area of potential conflict within the business and business school environment. The conflict being that we need innovators, however rewards built on monetary gain means continuing consumerism and the resultant elitism associated with this – for what would be the purpose of more money if not to consume more? If this is not in humanities' long term interests then reconceiving the meaning of success is the challenge. This will mean rethinking leadership as leadership is correlated with success which in turn means rethinking what we mean by success.

Perhaps this conflict need not exist if we could somehow liberate our intellect to a higher level of consciousness and being. Some of my more rewarding experiences have occurred in teaching futures studies to groups of business and community leaders, indigenous and non-indigenous, and managers.

For me leadership and futures are one of the same thing, that is leadership is about creating preferred futures that enhance humanity and other life species and generate outcomes that do no harm. They are inexplicably intertwined. All planning is about the future, so to do the planning as an act of leadership leads to incorporating purpose and meaning for what it could be that our preferred future promises. I have further linked this to a model of reconceiving in order that we learn to conserve that which is good from the past and the present and reconceive that which is no longer of value into something that is.

Figure1. Model of reconceiving

The model suggest that in almost every leadership situation you will be involved in creating an opportunity for 'new' learning. Anxiety can play a huge part in preventing new learning because anxiety to learning something new (know you don't know) occurs when our automatic thoughts, our sub-personalities, and worldview (don't know you know) are being challenged (Argyris, 1991). This is perfectly understandable; after all we have invested a huge amount of time and energy into establishing ourselves and our worldview. Our worldview can be likened to our unconscious competence as the cogitating mind that thinks and explains – the "I" – can only grapple with 30-50 bits of information per second, whereas the unconscious mind, the "Me", processes millions more. Tor Norretranders writes of the useful but quite limited contribution of the conscious mind (Thiele, 2006, p.49) and consequently the power of our automatic thoughts, our worldview, as meaning arises in our interactions with each other as we are both conscious and self-conscious. Meaning doesn't only lie in the word but it lies in the word *and* is constantly emerging between us in the interactions between us. Making the unconscious conscious means becoming more fully aware of ourselves and of our disowned selves, including our 'inner-critics' (Frattaroli, 2001; Stone, Hal & Sidra, 1993)

Being understandable however does not make it right or make it an excuse for the behaviour it often creates as demonstrated by numerous company leaders and many others in public and private office. What it does mean is that we need to learn about these things and this can be anxiety provoking which is why I recommend people keep a learning journal as an attempt to address many of these areas and emphasize the need to be ego-aware of the many different ways of knowing and the many different results and outcomes this basic ego-awareness can bring (Sinclair, 2007).

The fundamentals being:

Table1
Using New and Parallel Sources of Information

Critical Thinking	Creative Thinking	Futures Thinking	Innovation = Doing it!
analytic	generative	memetic	reconceiving
convergent	divergent	patterns	reconceiving
vertical	lateral	dimensionally	reconceiving
probability	possibility	Temporal horizon	reconceiving
judgment	Suspended judgment	Non judgmental	reconceiving
focused	diffuse	meaning	reconceiving
objective	subjective	critiquing	reconceiving
answer	an answer	Alternative answers	reconceiving
left brain	right brain	whole brain	reconceiving
verbal	visual	contextual	reconceiving
linear	associative	depth and breadth	reconceiving
reasoning	richness, novelty	capacity enhancement	reconceiving
yes but	yes and	many yes	reconceiving

Note. From "Introduction to creative thinking," by Robert Harris, 1998, retrieved September 10, 2008, from http://www.virtualsalt.com/crebook1.htm

We need to be rethinking our identity and learning and use our imagination to create a new type of 'green' and even spiritual science, through a deeper connection with nature and all life forms through microvita (Inayatullah, 2005) and non-locality (Laszlo, 2006) as I described in an earlier article 'Leadership and Spirituality' (Burke, 2006). Wellness for ourselves, others and the planet will require acts of leadership and needs to be a part of our identity. Wellness is the state where you look, feel, perform and stay well and Wellness is a state of high consciousness, the 'deep inner well' of your being (Cohen, 2007).

Imagination allows us the ability for conquering denial and valuing variety. Edward de Bono (Ghoshal & Bartlett, 1997) reported that; *"If new ideas are the lifeblood of any successful organisation, managers must revere, not merely tolerate, the people who come up with those ideas. Sounds obvious doesn't it? But it's incredible how often people forget this. I've seen lots of organisations where managers actually **resent** their creative people".*

Ghoshal & Bartlett (1997, pp.141-177) gave an example of this in action when they compared Westinghouse with General Electric over a 20 year period and claimed that the reason Westinghouse did not perform as well as General Electric was because of what they termed the 'corrosive context' in play at Westinghouse preventing imagination blossoming through what they called the 'pathologies of the inherited corrosive context'.

For science and technology, James Martin (2007) writes that with global sustainability the problem is that the Earth's climate will change, and we must learn to live with the changes. He goes on to suggest that how science and technology can help is in delivering a change in the capability to manage the Earth well, which is coming from the deployment of vast quantities of micro-instruments, which feed voluminous data to computer systems. Humanity is changing from being ignorant about the planet to having vast quantities of information linked to supercomputer models.

Putting the model into practice and, for example, reconceiving the meaning of business, requires us to move beyond business as usual. Currently for business, the goal of strategy is to find ways to create economic value. A company creates economic value when it generates positive net cash flows over time i.e. more money comes out than goes in. Positive net cash flows are generated when the return on the capital invested in the firm exceeds the cost of that capital. Shareholder value is a result of creating economic value. There are various ways to measure economic value, but all compare the value of profits generated by the firm against the value of capital supplied to the firm. For example, EVA (Economic Value Added) is defined as the after tax operating profit that the company earns above its cost of capital:

EVA = NOPAT – WACC x Capital Invested
NOPAT= Net Operating Profit After Tax
WACC=Working Assets and Capital Consumed

In reconceiving the meaning of business we could ask: But what about Natural Capital and Social Capital? Would business still create 'real' economic value if the real cost of natural capital was employed? At present we place zero value on the environment and zero value on the outcomes for people and societies in EVA calculations.

I suggest we unmake the current EVA calculation and remake it as EVA = NOPAT – WACC x Capital Invested x Natural Capital Exploited x Social Capital. I argue that if this measure was reconceived by business schools so that the business community and governments adopted it, we would be substantially far better off and so would the organisations themselves, as they would no longer be creating the possibility of their own demise based on the consumption of more and more of our ever diminishing natural resources. Simplistically this means that if your product requires the cutting down of a 100 year old tree then you must immediately replace that tree with 100 one year old trees, or 50 two year old trees etc. It does not mean you replace a 100 year old tree with one sapling!

With social capital it means making sure that what you do today will not adversely affect future generations. If it does then don't do it.

Successfully using my suggested EVA calculation will improve profitability both for the short term and for the long term and will do this without doing harm. Organizations using this calculation will not have to fear retribution such as experienced by many organizations today. Examples such as Shell in Nigeria and the then BHP OK Tedi operation in Papua New Guinea come readily to mind (Burke, 2002).

Another man-made measurement that should be unmade is the use of the GDP (Gross Domestic Product) as a useful measurement. *It is not.* Experience a human disaster and the GDP often goes up! For example (http://www.conversations.com.au/c21c/gpistudy.htm):

- GDP treats crime, divorce and natural disasters as economic gain
- GDP treats the depletion of natural capital as income
- GDP increases with polluting activities and again with clean-ups
- GDP ignores the drawbacks of living on foreign assets
- GDP ignores the depletion and degradation of natural resources

There are other measures that give us a more holistic measurement such as the GPI (Genuine Progress Indicator). The GPI also measures:

I. Crime & Family Breakdown
II. Household & Volunteer Work
III. Income Distribution
IV. Resource Depletion
V. Pollution
VI. Long-Term Environmental Damage
VII. Changes In Leisure Time
VIII. Defensive Expenditures
IX. Lifespan Of Consumer Durables & Public Infrastructure
X. Dependence On Foreign Assets

Redefining Progress on their website http://www.flora.org/economicgood/GPI.html describe The Genuine Progress Indicator (GPI) 'as a new measure of the economic well-being of the nation from 1950 to present. It broadens the conventional accounting framework to include the economic contributions of the family and community realms, and of the natural habitat, along with conventionally measured economic production.

The GPI takes into account more than twenty aspects of our economic lives that the GDP ignores. It includes estimates of the economic contribution of numerous social and environmental factors which the GDP dismisses with an implicit and arbitrary value of zero. It also differentiates between economic transactions that add to well-being and those which diminish it. The GPI then integrates these factors into a composite measure so that the benefits of economic activity can be weighed against the costs.

The GPI is intended to provide citizens and policy-makers with a more accurate barometer of the overall health of the economy, and of how our national condition is changing over time.

While per capita GDP has more than doubled from 1950 to present, the GPI shows a very different picture. It increased during the 1950s and 1960s, but has declined by roughly 45% since 1970. Further, the rate of decline in per capita GPI has increased from an average of 1% in the 1970s to 2% in the 1980s to 6% so far in the 1990s. This wide and growing divergence between the GDP and GPI is a warning that the economy is stuck on a path that imposes large – and as yet unreckoned – costs onto the present and the future.

Specifically, the GPI reveals that much of what economists now consider economic growth, as measured by GDP, is really one of three things: 1) fixing blunders and social decay from the past; 2) borrowing resources from the future; or 3) shifting functions from the community and household realm to that of the monetized economy. The GPI strongly suggests that the costs of the nation's current economic trajectory have begun to outweigh the benefits, leading to growth that is actually uneconomic'.

The great irony is that although the GDP is going up, generally on a global basis, the GPI is going down as illustrated below. This emphasis on the GDP is a fantasy and we need to abandon it in order to realize that change to our thinking about what it means to be human is essential.

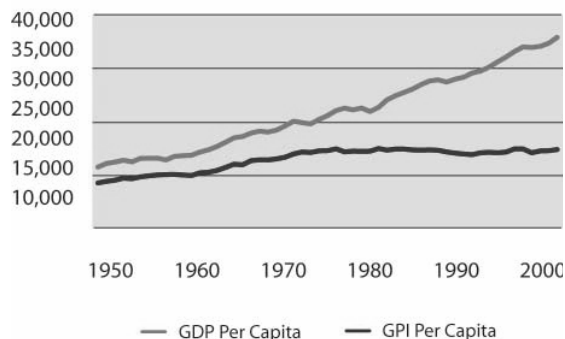

FIGURE 3: Real GDP and GPI Per Capita 1950-2004 in $2000

Figure 2. GPI vs. GDP
Note. The Genuine Progress Indicator 2006. A Tool for Sustainable Development, by John Talberth, Clifford Cobb, and Noah Slattery, 2007, retrieved September 10, 2008, from http://www.rprogress.org/publications/2007/GPI% 202006.pdf

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Changing Mood

There is a changing mood occurring in the business world. The changing mood is that we can no longer continue on the path we have chosen and expect to survive in the manner we thought we could or, more to the point, should. Many think it is occurring too late and that we have passed the 'tipping point' [1] and can only look forward to continued destruction. This view is based on the current paradigm that we have based our economy on consumption and to be successful we have to demonstrate we have more 'things' than others and that it is an impossibility to think that we can change this belief. Others think that we have wakened up with a shock, that we must do something quickly to help save humanity but are not sure what that something is (Lowe, 2005; Rees, 2003). Still others have been aware of the challenges for many years, knowing that we must change, and have plans to liberate our minds and forge a new world together which requires rethinking our business school ambitions and what we think leadership might mean to achieve this end (Martin, 2006).

Global Sustainability Means Wellness for Self, Others and the Planet

Unchecked and unconscious consumerism is at the root of many of the world problems. We need a change in consciousness. Wellness is about consciousness, our inner and outer world in harmony. We are suffering from 'Affluenza' (de Graaf, Wann, & Naylor, 2001; Hamilton & Denniss, 2005; Oliver, 2007), rampant consumerism has given us the legacy of depression and insomnia which are at epidemic proportions. We still live in a society where the richest 2% have over 50% of global wealth and the poorest 50% of world have less than 1% of global wealth. This is not sustainable!

We also live in a society that the WHO (World Health Organization) tells us that 1/3 of the world's population is well feed, 1/3 overfeed and 1/3 starving and that every 3.6 seconds someone dies of hunger. Since 1980 obesity has tripled in adolescents and we now have over 1 billion people overweight with 4 million of those dying of overeating currently each year, one every half a minute.

What Are We Doing?

Sir Nicholas Stern, author of the 'Stern Review on the Economics of Climate Change', states "Climate change represents the greatest and widest ranging market failure ever seen and business as usual is not an option."

What can be done, according to Professor Marc Cohen, foundation professor of complimentary medicine at RMIT (Royal Melbourne Institute of Technology), is to embrace what he calls 'Conshumanism' - Conscious and Humane consumption. Cohen's acronym for rethinking wealth is: **W**ellness **E**nables **A**lternative **L**ifestyles **T**owards **H**ope / Happiness

Cohen suggest that conshumane consumption means asking these questions every time you are about to consume.
- What is it?
- Who made it?
- Where did it come from?

- How did it get here?
- What is its lifecycle and embodied energy?
- What is its environmental and social impact?
- What are the alternatives – do I really need it?

For Cohen the features of a global wellness culture are the celebration of cultural and geographical diversity, environmental sustainability, social responsibility, secular spirituality and conscious humane consumption based on: **S**easonal **L**ocally produced **O**rganic **W**hole foods (SLOW)

A global sustainability movement of this kind would mean two things: the beginning of an evolution of consciousness to a Gaia consciousness (Lovelock); and moving from Paranoia to Pronoia. Paranoia is the belief that the universe is plotting to get you, it is based on fear and separation; Pronoia is the belief that the universe is plotting to make you happy.

James Martin's view is that traditionally a business school studies factors that effect the running of a business, mainly a short-term horizon – issues that concern today's investors. He sees a shift towards a *civilization school* which should study factors that affect civilization – a focus on a longer-term horizon. Not only does Martin suggest this he has gone further and established ***The James Martin 21st Century School***, founded in June 2005 at the University of Oxford, which is a unique collaborative research effort. As a world – class university with leading scholars and practitioners across a very wide range of disciplines, the University aims to be at the forefront of the work to find these solutions. The focus of the School is on stimulating Oxford's research, by giving the University's scholars the resources and space to think imaginatively about the problems and the opportunities that the future will bring.

Mt Eliza executive education, part of Melbourne Business School has been promoting sustainability through its programs for a number of years. More recently through the school's 'Asia-Pacific Centre for Leadership for Social Impact' we have formed an alliance with the Schulich School of Business, York University, Toronto, Canada to jointly run their 'Sustainable Enterprise Academy' (SEA) program here in Australia.

The themes of SEA are:

- Companies can be both sustainable and profitable (there is a strong business case for sustainability)
- With the right business strategies, there is no trade-off between sustainability and profitability, indeed there is synergy
- Sustainability is a risk management strategy
- Sustainability is moreover a growth opportunity
- Informed leadership for change is critical to success

However, my colleague, Richard Searle, says "Personally I don't go along with the argument that sustainability and profits are perfectly synergistic. I think there will be real costs and real losers, and that capitalism itself will need to change and adapt, especially beyond this consumerist stage of capitalism, and that will take some real leadership from many quarters!"

I think he is right, and for me it is critical that:

- We need to rethink what it means to be human

- We need to rethink what we mean by growth
- We need to shift our activities from regulatory management to leadership.

Conclusion

As a futurist I have been tracking and teaching the issue of global sustainability for over a decade now, and 10 years ago, my views were treated sceptically, indeed many thought me 'looney', but now suddenly I have become acceptable. This phenomenon I guess is shared by many futurists as they challenge the accepted norm.

To rethink what is means to be human, what we mean by growth, and in the process of shifting from regulatory management to leadership in business means understanding that what we actually do is put up fantasy measures that we call business planning. Such budgetary planning is really used as a political process, primarily as a social defense against anxiety. Its function is to prevent what actually should be occurring: the move from 'don't know we know' to 'know we don't know'. This suppression of anxiety distorts what we are actually doing, which is (or should be) planning for the future, and distracts us from the actual direct experiences we are having of each other – as what happens, happens *because of the conversations* we are continually having with each other and with groups as a whole.

More often than not, the most important things we do actually can't be measured, such as our declarations of love and our inspirations through doing something which has a powerful purpose and meaning for our lives. Certainly these are not even likely to have been planned in a 'normal' sense, but are the areas that futurists are interested in. This is because these are open ended conversations around identity; of who are we? And, what are we doing together? This is the actual strategy we are involved in, and it is emergent strategy where we are endlessly searching for enough agreement to take the next steps towards what we believe to be a preferable future. People it can be argued, however, are not always part of a system because people are autonomous which means we have a degree of choice. Often this choice occurs through chance by local interactions which self organise. Emergence usually comes about through the absence of plans and is a temporal process usually involving patterns of power.

Where difference occurs in these patterns of power, the result is usually the deadlock – a kind of trap – in which the differences clash and conflict seems inevitable. Where there is no difference in diversity of thought, we are also trapped as conflict, which is inevitable, can also be highly valuable because a different meaning can emerge. Indeed, Neo-Darwinian theory of novelty is that it occurs through chance.

In order to unmake man-made concepts that are no longer of any value to us means adopting futures studies as a method. I see futures thinking as the thinking you do before you even contemplate strategic planning, because how do you really know what a vision for the future could be without first working towards it? The methodology I often employ is based on Sohail Inayatullah's Six Pillars approach (MATDCT) method which is incorporated with other leadership methodologies both of mine and others (Inayatullah, 2008).

Essentially global sustainability is about organisational and societal transformation. It involves an emphasis by individuals and organisations to think about the future

and realize what new values, virtues and goals are needed for a better world. What kind of world do you want to live and work in?

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Notes

1. Oil chief emerges with climate warning
   Blair Speedy
   'The Australian' January 23, 2007
   Former fossil fuel mogul John Schubert says the nation has reached a "tipping point" on climate change, with overwhelming public acceptance of the problem making it impossible for business and government to ignore it any longer.
   The Commonwealth Bank chairman credits the drought, extreme weather disasters such as Hurricane Katrina in the US and Cyclone Larry in northern Queensland, record global temperatures in 2005 and former US President Al Gore's film An Inconvenient Truth with dispelling any remaining doubts on the threat of climate change.
   "I have to say that the Australian community reached a tipping point about September-October, over about a six-week period, when it was just extremely clear that the Australian community bought in that climate change was a real problem," he told The Australian.

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