

The Evolving Focus of Business Sustainability Education

Andrew J. Hoffman

In the mid-1990s, corporate social responsibility and environmental management emerged as small and somewhat peripheral considerations within business school education. In the ensuing two decades, they have grown to become a mainstream element of the curriculum under the broader subject heading of sustainable development or business sustainability. This is a good thing. And yet, for all the advances in curriculum and course content, a major shift in the focus of this teaching practice is beginning to emerge.¹

Where the past incarnation of business sustainability education incorporated the issue within existing business logics and models, the next iteration focuses on changes within those logics and models themselves. The first mode of teaching, termed “enterprise integration,” focuses on helping individual companies increase profits by translating sustainability into preexisting business considerations. The second mode, termed “market transformation,” focuses on systemic changes in the business environment and prompts a reexamination of the role of the corporation in society. The first is focused on reducing *unsustainability*, the second is focused on creating sustainability.²

This transition presents business schools with a dilemma: they must teach both enterprise integration and market transformation simultaneously, even though these are fundamentally different approaches. The first will help business students get a job, the second will help them develop a focus for a life-long career. Over time, the latter will eclipse the former as attention adjusts to addressing the root causes of unsustainability and not just its symptoms.³

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Business Sustainability 1.0: Enterprise Integration

Over the past half century, in order to meet the resource needs of growing human and livestock populations, humans have altered ecosystems “more rapidly and extensively” than in any comparable time in our history, according to the United Nations. How these resources are distributed, with the richest 20 percent of people now consuming 86 percent of all goods and services while the poorest 20 percent consume just 1.3 percent, is placing great strain on societal systems. In short, the historically exploitative relationship between the economy and the natural and social environments cannot be sustained. Into this emergent reality stepped business and business school education, starting in the mid-1990s and growing rapidly in the 2000s.⁴

During this time, sustainability programs grew within the corporate sector, from just under one hundred companies with dedicated programs in 2001 to more than three hundred and thirty in 2011. At the same time, companies increasingly published annual “sustainability reports,” created positions such as the chief sustainability officer, and offered sustainability statements by senior executives. By 2010, surveys showed that more than 90 percent of CEOs believed that sustainability was important to a company’s profits, and 72 percent of executives identified education as one of the critical development issues for the future success of their business sustainability efforts.⁵

Student demand for this education also has been strong, and is growing. Where students who wanted to change the world once turned to graduate schools of public policy and nonprofit management for their training, many now turn to schools of business management. Surveys show that 88 percent of business school students think that learning about social and environmental issues in business is a priority, 67 percent want to incorporate environmental sustainability considerations into whatever job they choose, and, when looking for full-time employment, 83 percent state that they are willing to take a salary cut for a job that makes a social or environmental difference in the world.⁶

To fill this demand, business schools responded. From 2001 to 2011, the number of sustainability-related courses available to Master of Business Administration (MBA) students increased more than fourfold. (See Figure 23–1.) Over the same time period, the share of business schools that required students to take a course dedicated to business and society increased from 34 percent to 79 percent, and specific academic programs on the topic now can be found in 46 percent of the top one hundred MBA programs in the United States.⁷

These programs can take multiple forms at the undergraduate, masters, and

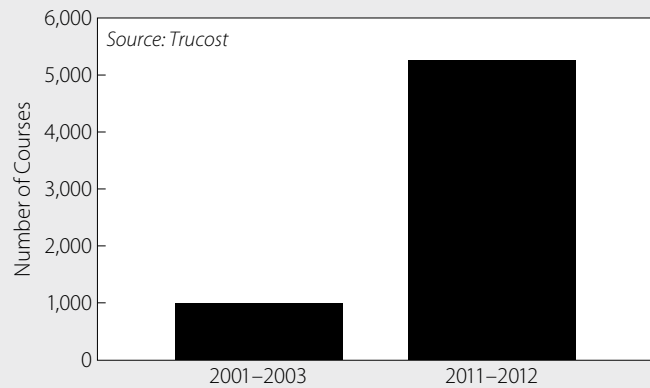
executive education levels, with content serving as part of either a standard business degree, dual degrees between business and environment schools, two-year and one-year specialization certificates, specialized business sustainability degrees, or schools dedicated to sustainable business. The central focus of these programs has been “enterprise integration”: framing the issue as a market

shift and fitting it within both the existing core disciplines of a business school (strategy, organizational behavior, marketing, operations, finance, and accounting) and the overriding objective of business education, namely, improving the competitive positioning of the firm and increasing its profits. Central to these programs has been a balance of the standard bottom line with the triple bottom line of the 3 P's: people, planet, and profit.

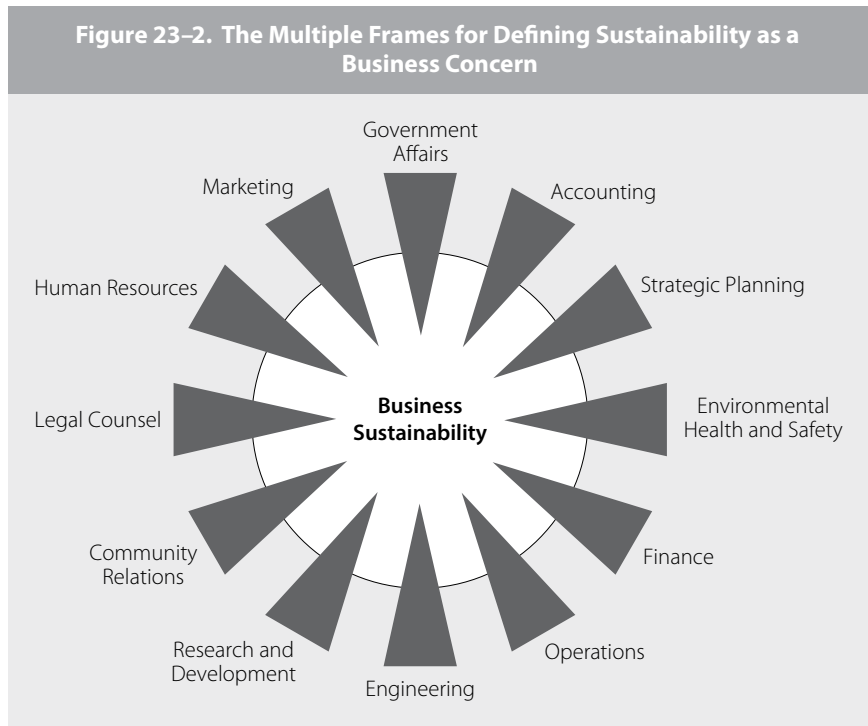
In this form of framing, coverage of sustainability within business school curricula can remain agnostic about the science of a particular issue (such as climate change) but still recognize its importance as a business issue. The full business scope is not an appeal to morals or to corporate social responsibility, but a response to key business constituents that are bringing these issues to the corporate agenda through core business channels. These constituent pressures can emerge from:

- *Coercive drivers*, in the form of domestic and international regulations and the courts;
- *Resource drivers*, emerging from suppliers, buyers, shareholders, investors, banks, and insurance companies;
- *Market drivers*, emerging from consumers, trade associations, competitors, and consultants; and
- *Social drivers*, emerging from environmental nonprofit organizations, the press, religious institutions, and academia.⁸

Figure 23–1. Growth in Business School Courses Incorporating Sustainability, 2001–2011



In this way, sustainability becomes much like any other business threat caused by a market shift. Market expectations change and technological developments advance, leaving certain industries to either adapt or face demise while others rise to fill their place in the long-accepted notion of “creative destruction.” Put in such terms, much of the specific language of sustainability recedes, being replaced by the core language and framing of standard business education. Each frame has a preexisting repertoire with which to conceptualize its treatment within management education and practice, as shown in Figure 23–2.⁹



As insurance companies apply sustainability pressures on the firm, the issue becomes one of risk management. From competitors, it becomes an issue of strategic direction. From investors and banks, it becomes an issue of capital acquisition and cost of capital. From suppliers and buyers, it becomes an issue of supply chain logistics. From consumers, it becomes

an issue of market demand. Reflecting this translational framing, recruiters look less for narrow sustainability specialists and more for graduates who can find ways to merge business strategy with the objectives of sustainable development.¹⁰

But there is a problem. As promising as these developments are, our world continues to become less, not more, sustainable, and the problems we face are markedly different in nature than they were in the 1960s, when the “modern” environmental movement began. To mark this shift, scientists have proposed that we have left the Holocene and entered the Anthropocene, a new geologic epoch that acknowledges that humans are now a significant operating force within the Earth’s ecosystems. Primarily through the market, “humans move more sediment than all the world’s rivers combined. *Homo sapiens* has also warmed the planet, raised sea levels, eroded the ozone layer, and acidified the oceans,” writes journalist Richard Monastersky.¹¹

Recognition of the Anthropocene has broad implications for how we think about business sustainability. Rather than fitting sustainability into the logics of the market, we must now recognize that the market is taking control of natural systems, with potentially catastrophic consequences. Climate change, ozone depletion, droughts, wildfires, food insecurity, water scarcity, and the social unrest that results all point to a fundamental system failure created by our market and political structures. (See Chapter 20.) Where historic notions of business sustainability as “enterprise integration” have gained acceptance, they are inadequate for the scope of the issues we now face. By fitting sustainability into existing business logics, we are slowing the velocity at which we are approaching a system collapse, but we are not averting it by fully addressing the roots of the problem.

Business Sustainability 2.0: Market Transformation

In its next iteration, sustainable business education is moving beyond simply reducing unsustainability, and moving toward creating sustainability. Curtailing our impact on the environment is not enough. We must become a net positive influence on the environment to both ameliorate our legacy of harm and mitigate the impacts from a growing population that is expected to reach 9.7 billion by 2050. As such, business sustainability education as “market transformation” calls for a reexamination of the systemic aspects of the market, considering when they must be changed to properly address the issues we face. This reexamination takes multiple forms, as follows:¹²

*Sustainability 2.0 requires new conceptions of **market** parameters.*

Driven by concerns about the market failures around sustainability as well as those of the financial crisis of 2008, 57 percent of MBA students reported that they were rethinking their career objectives. In the course of that reexamination, there is a growing interest in courses that move beyond stale notions of a static free market in which companies serve only their shareholders and where government regulation is viewed as an unwarranted intrusion. Courses that teach about the malleability and multiple forms of capitalism (for example, Scandinavian, Japanese, and American capitalism differ markedly on their rules of the market and on the role of government) help business school students understand how the market can change to better serve society. A popular course at the Harvard Business School, “Reexamining Capitalism,” explores “the evolution, power and limitations of our current capitalist systems” and “how the ‘rules of the game’ by which capitalism is structured should change” to address the social and environmental issues of our day.¹³

One area in which market rules must change lies in the urgency of addressing climate change. The immediate task is to constrain the emission of greenhouse gases through a set of regulatory policies and business responses (“enterprise integration”). However, the ultimate solution is to become carbon-neutral and eventually carbon-negative. This cannot be accomplished by one firm or one product competing in the market as it presently exists. The Rewiring the Economy project at the University of Cambridge Institute for Sustainability Leadership calls for ways to “lay the foundations for a sustainable economy” and to “lift and ‘tilt’ the playing field for business, such that, over time, the economy generates positive outcomes for people within safe environmental boundaries.” The output of this project is used to inform the school’s Master of Studies in Sustainability Leadership program, as well as its postgraduate certificate programs in both Sustainable Business and Sustainable Supply Chains.¹⁴

*Sustainability 2.0 requires new conceptions of **systems** parameters.*

Sustainability solutions are a property of the system as a whole, not of one company. The notion of an energy company installing a wind farm and calling itself sustainable makes no empirical sense. A more sustainable energy system incorporates the whole electricity grid, encompassing generation, transmission, distribution, use, and mobility. As such, new courses and

programs are integrating more systems-focused approaches. (See Chapter 12.) For example, the MIT Sloan School of Management's sustainable business program (S-Lab) relies heavily on system dynamics modeling in its curriculum. The Presidio Graduate School focuses its curricula on helping its graduates "see connections and make better decisions in the context of a whole system." Surveys of corporate executives foretell this trend. In defining what companies want from business school sustainability education, surveys show that executives want more skills in systems thinking and its application to business goals and operations, as well as knowledge of how to create or manage social networks that are directly relevant to a company's business objectives and processes.¹⁵

*Sustainability 2.0 requires new conceptions of **operational** parameters.*

System approaches to business sustainability require special consideration of operations and the design and optimization of supply chain logistics. This is a rapidly growing domain of business sustainability education, with programs, such as the Yale School of Management's Center for Business and the Environment, relying heavily on courses in sustainable supply chain management, lifecycle analysis, and industrial ecology. Other programs offer courses in the area of the "circular economy," which focuses on closed loops in industrial systems that dematerialize and reduce energy use within both global and local supply chains.¹⁶

*Sustainability 2.0 requires new conceptions of **organizational** parameters.*

Business school education traditionally has taught three types of organizational form: for-profit, nonprofit, and government. But as business sustainability education enters into new systemic approaches, new forms of organization also emerge or become more relevant, such as hybrid organizations, benefit corporations, cooperatives, employee-owned companies, and networked organizational forms. These forms offer new challenges and new opportunities in governance and employee engagement that the standard models of the public corporation do not fully cover. For example, the Weatherhead School of Management at Case Western Reserve University offers an Appreciative Inquiry Certificate in Positive Business and Society Change, which teaches students how to draw out "the best in people, their organizations, and the relevant world around them" by considering "what gives 'life' to a living system when it is most alive, most effective, and most constructively capable in economic, ecological, and human terms."¹⁷

*Sustainability 2.0 requires new conceptions of **business metrics and models.***

New forms of business sustainability education compel questions around the underlying theories and models used to understand and explain the market. Pushing management education further into new domains, courses are emerging to explore new models for market exchange and service provisioning in multiple areas, from regenerative capitalism and collaborative consumption to conflict-free sourcing and environmental finance. The Stanford Graduate School of Business, for example, offers an executive education course on Business Model Analysis and Design, which includes content on the emerging phenomena of the “sharing economy.”¹⁸

To aid this diffusion, Net Impact, an organization that supports students and professionals in developing sustainability careers, provides training modules on the sharing economy, the circular economy, and others. And the Erb Institute for Global Sustainable Enterprise at the University of Michigan is developing new teaching tools to help bring new content into the business curricula, such as constructive lobbying, business and human rights, impact assessment, stakeholder engagement, and materiality assessment.¹⁹

*Sustainability 2.0 redefines **the role of the corporation in society.***

At the root of market transformation lies a reexamination of the role of the corporation in society. Many business schools are redirecting their programmatic focus to reflect the positive role that business can and must play in solving the great challenges that society faces. Students who will become tomorrow’s business leaders are demanding this shift. For example, the Ross School of Business, with the help of its Center for Positive Organizations, has adopted four pillars to brand its focus, one of which is “positive business, to develop leaders who make a positive difference in the world.”²⁰

Part of this redirection has been a response to critics of the unsustainable foundations of business school education, such as neoclassical economics and principal-agent theory, both of which are built on rather dismal simplifications of human beings as largely untrustworthy and driven by avarice, greed, and selfishness. (See Chapter 20.) Additionally, there is growing attention to the limitations of sacrosanct metrics, such as discount rates and gross domestic product, and the ways in which these metrics limit efforts at addressing social and environmental sustainability. For example, students at the Ivey School of Business at Canada’s Western University are exposed to

course content that examines the costs to businesses and society of short-term thinking (such as quarterly earnings) and the innovative opportunities that are exposed by thinking in the long term. Other programs are questioning the taken-for-granted assumption that business serves the shareholder to the exclusion of other critical stakeholders.²¹

Inspiring Students Through the Transition

There is great interest and energy in bringing sustainability more deeply into the norms of business education. For example, the Association to Advance Collegiate Schools of Business (AACSB), the premier accrediting body for business programs, created new standards for social and environmental sustainability that institutions were required to adopt by the 2016–17 school year. In the near term, compliance will focus on Sustainability 1.0. But eventually, if business schools are to properly address our sustainability challenges, they also will have to develop the skills and knowledge to teach Sustainability 2.0.

This shift is critical. If society is to adequately address sustainability, the solutions must come from the market, and, more specifically, from the corporate sector. The market (comprising corporations, the government, nongovernmental organizations, as well as the many stakeholders in market transactions, such as consumers, suppliers, buyers, insurance companies, banks, etc.) is the most powerful organizing institution on Earth, and corporations are the most powerful organizations within it. Without business, there will be no scalable solutions. That does not mean that only business can generate solutions, but rather that the powers of innovation, production, and distribution that business possesses must play an essential role in making the necessary changes in our lifestyles. Business will develop the buildings we live and work in, the clothes we wear, the food we eat, the forms of mobility we employ, and the energy systems that propel them. If there are no solutions coming from the market, there will be no solutions.

But for all the advances in business sustainability education, more needs



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to be done to meet both the challenges of the Anthropocene and the growing demands of business students. Surveys find that while MBA students overwhelmingly believe that business must play a role in addressing environmental and social issues, only 31 percent of MBA students “think that corporations are working towards the betterment of society,” and 79 percent of students feel that they are not receiving adequate training in “how to make business more environmentally sustainable.”²²

Despite this, students continue to enroll in business sustainability courses and programs. They are driven by a personal motivation to solve these problems through business. To fully serve what this demographic is seeking, there is one more component of the “market transformation” approach that must be developed. Future business sustainability education must move beyond just teaching skills and models. It also will require the cultivation of vocations or callings in management, helping students connect to a larger purpose of bringing about a sustainable world through the power of business. This emphasis is, at present, beyond the standard domain of traditional business education. But it represents the hope of a future that fully responds to the burdens of the unprecedented sustainability challenges that we are placing on the next generation.²³

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