

Sustainable Development Business and Education

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I am deeply grateful to the Global Compact and its stakeholders at EFMD and GRI for their kind invitation to this 2011 PRME Summit. The discussions have been rich and I am delighted to have been part of the UN's outreach to this important stakeholder group as part of our promotion of the Rio+20 Conference on Sustainable Development for which we are seeking to "facilitate dialogue and debate among educators, business, government, media, civil society organisations and other stakeholders on Corporate Social Responsibility and Sustainable Development."

In 1992, the world journeyed to Rio for what would become an historic "Earth Summit." Emerging from the first Rio was an Agenda of 21 Principles on which leaders then agreed, the identification of sustainable development as standing on a platform of three pillars – social, economic and environmental and an exhortation that our actions and use of natural resources must be mindful of the fact that we are borrowing them from the next generation and must be prudent in our stewardship if we are not to compromise the future of succeeding generations.

Exactly a year from now, the United Nations, its agencies, the leaders and ministers of its member states, NGOs and civil society will return to Rio to revisit the issue of sustainable global development. We will do so cognisant that modern businesses

are operating in a very different environment from that which prevailed at the time of the original Earth Summit. Human development and existence have been beset by new environmental, economic, security and social crises, a financial world which had been deregulating is now being reregulated, even against what some describe as "the retreat of the state," "Big Brother" now has more cameras and tentacles, the blue collar economy has given way to service oriented and knowledge based society and economy, technology has transformed the customer, the market and obliterated the requirement for a physical "store front," financial infelicities have necessitated Sarbannes-Oxley legislation governing oversight and compliance, trade relationships have changed and are now linked to a body of environmental rules, the BRIC countries have become major drivers of production, competition, capital and markets, climate change and other environmental factors, are all significantly impacting on the decisions which business managers must make to achieve their companies strategic objectives. These and others issues now compel us to find new development models which protect human and natural resources.

It is believed that that development model can be found for government, business and society in the new low carbon economy which the UN is attempting to catalyse, by promoting green economy as the means by which poverty can be eradicated and sustainable development achieved. It is recognised that business too must be sustainable and that the greater the contribution of business to social growth, the greater its customer base, profitability and longevity. Bringing about a low carbon economy will require the UN to reach beyond its traditional stakeholders in the intergovernmental process to strategically and constructively engage nongovernmental stakeholders and the business sector in particular.

The presence of CSR and sustainable development practices as part of overall business strategy can lead to competitive advantage and profitability. The converse is also true. Its absence can result in reputational damage, reduced shareholder value and loss of profitability. A few examples bear this out –

- ❖ Would there have been a global financial meltdown if there had been a greater sense of corporate social responsibility instead of the crass pursuit of profit?
- ❖ Yesterday we learnt from Siemens that a scandal cost the company significant reputational damage, an inability to recruit talent and massive financial losses. On the other hand, strengthening CSR resulted in substantial increases in the company's profit margins in 2009 and 2010 and what was most impressive of all was that this growth was realised at a time of global recession.
- ❖ The launch sales and profits of the Sony Playstation in Europe was adversely affected by cadmium content in batteries resulting in failing to meet EU standards and preventing their European entry and causing the company losses.
- ❖ Harvard Business Review has reported that in conjunction with its carbon trading program and in support of reducing its greenhouse gas emissions and carbon footprint, from the late 1990s, BP invested US \$20 million in re-engineering its processes. In consequence, by 2007, BP's environmental efforts yielded an unanticipated impact – the realisation of savings and increased profits of US \$2 billion. On the other side of the equation, in the wake of the BP Spill of last year BP reported a loss of US \$4.9 billion, as compared to a profit of \$13b in 2009. Moreover, its share value fell to a new low.

The World Bank supports “integrating social and environmental responsibility, good governance, accountability and engagement with the poor as vital components of corporate strategy to promote business contribution to development and enhance competitiveness.” A new intergovernmental agreement on sustainable development will result in reframed regulatory frameworks, in business sustainability being regarded as the generation of profits while create economic goods with minimal impact on the environment and positive social interventions which result in market growth.

This notion of business delivering on a higher purpose, that of adding value to social well being, is not really farfetched. Research has repeatedly shown that while employees want to be fairly remunerated for the work they do, it is not the major determinant of job satisfaction. Instead, workers want recognition, self actualisation, and to feel themselves a valued part of their organisation. It is not a leap then, for the businesses which employ these employees to give themselves and their employees the higher purpose of societal service in addition to profit generation.

In the post Rio environment, financial institutions may well demand of governments and businesses proof of their greening practices as part of their business model when they seek to access financing, in the same way that they now routinely ask for a business plan. Sir Nicholas Stern asserts in his groundbreaking report on the economics of climate change, classifying it as a “market failure,” that “tackling climate change is the pro-growth strategy for the longer term and it can be done in a way that does not cap the aspirations for growth or rich or poor countries.”

This low carbon economy will require strengthened corporate social responsibility which includes but will not be limited:

- Ethical management
- Valuing the natural resources used in business operations
- Creating virtuous business cycles through cradle to grave and cradle to cradle production and operations
- Using renewable energy, recycled water
- Developing and utilising efficient green technologies and products
- Procurement policies which ensure that every link of the supply chain is built on the company's green standards
- Practising the “three Rs.”

- Greening buildings and real estate
- Respect for cultural diversity, indigenous peoples and tribal lands
- New forms of transformative partnerships for development, anti-corruption and good governance, gender and women's empowerment, children's rights

The question is – where are business schools to be located in this? It is the business schools as trainers, which will have the responsibility of conveying to and preparing the world's business leaders and managers the culture and philosophical principles of the global green economy and what it will mean to their bottom lines and for their shareholders. I strongly believe that inculcating the principles of the Global Compact into business school curricula is a powerful means by which to develop enlightened business leaders of the future. The UN therefore welcomes efforts by business schools to align their work with the goals of the United Nations and in particular with the values of the UN Global Compact.

The Principles for Responsible Management Education provide a framework for management and business schools to address corporate responsibility and sustainability in curriculum and research based on the values of the UN Global Compact. I see your role and an opportunity for you as trainers in the new global green economy in four specific ways.

First, may I suggest that one obvious goal for you would be for business schools to establish sustainable development as a core module of the curriculum to be taught at under and post graduate levels. In the wider university system sustainable development would be offered as an elective. It is also possible to embed sustainable development in every module but that would require retraining of faculty and curriculum revision, hence teaching SD as a separate module which draws the connection to other disciplines and modules is the most cost effective approach. This would ensure that virtually every graduate understands SD theory and practice and its implications for their discipline, the wider society and economy.

In this way raising awareness about sustainable development through formal education would better equip our future business leaders and could have broad beneficial impacts on society.

The second and very effective approach which I would like to suggest is that universities and business schools practise sustainable development as part of your own business model. This could be a powerful attractant for prospective students. In addition, it could increase the income and monies available to you by effecting savings and increasing your budgetary allocations. You could have this result by greening your campuses which are large consumers with large ecological footprints. The greening effort would incorporate your buildings, operations, procurement, food services, transport, energy, water and waste management. The savings would cover the costs of investments in cleaner technologies or in some aspect of training, resources or developing new programmes, staff recruitment or anything that you choose. It would strengthen your own credibility and moral authority and act as a practical lab for your students as they move into management and leadership in their organisations and the wider market place. Since universities are the hubs of many local economies, this could have transformative effects on thousands of communities.

Third, to effectively mainstream sustainability in business schools requires a review of the metrics which shape business school rankings. By using the graduate's salary increases immediately after completion of the MBA as a criterion of high value in ranking business schools, the status quo of money above all else is being reinforced. The metrics for MBA rankings and value cannot lie primarily on the increased salary of a single individual. Some revision is necessary. Perhaps in the year leading up to Rio, PRME and its affiliates might want to consider what set of criteria are the best indicators of sustainability for business schools and their graduates.

Fourth and finally, you are well aware that PRME will meet next year at Rio. I want to encourage you all to attend that meeting, influence other schools and universities to do so and be part of the UN, GC, PRME thrust toward the global green economy. Governments, the UN and its affiliate bodies, businesses and by extension business schools, are the principal actors and stakeholders in a global green economy and have the most at stake. Let us together innovate to create new business models that protect the environment, build social equity and address the triple bottom line of people, planet and profit. Give consideration not only to coming to Rio but coming with a view to declaring your support for the green economy and sustainability as a feature of business and to publicly declaring, perhaps by signing a memorandum which demonstrates your willingness and commitment to incorporating them into your core curricula.

All that is left for me to do now is to thank you for your patience in listening to me today, to say how much I look forward to working with you and to express the hope that I have in fact helped to “facilitate dialogue and debate” and the consideration of new narratives and scenarios which link government, business, society, ecology, economy and sustainable development at the point of education. I will see all of you at Rio next year.