MAGAZINE

Global Voice

N°23

BACK TO THE FUTURE?

Leadership, governance, and crisis
The impact of ICT on social connections
Integrity as a strategic solution for firms
Foreign Direct Investment and hot labour markets
UN ecosystem restoration and opportunities for businesses

An alliance with a purpose

THE COUNCIL ON BUSINESS & SOCIETY

Recognising the enormous role business can and must play in helping solve large-scale, global issues facing the world, eight business schools from around the world have formed a partnership: The Council on Business & Society. Through our individual and collective efforts, we strive to create and disseminate knowledge about those issues and train future business leaders capable of and committed to solving them.

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• ESSEC Business School, France, Asia-Pacific and Africa
• FGV-EAESP, Brazil
• School of Management, Fudan University, China
• IE Business School, Spain
• Keio Business School, Japan
• Stellenbosch Business School, South Africa
• Trinity Business School, Trinity College Dublin, Ireland
• Warwick Business School, United Kingdom

The partner schools share a commitment to and belief in the power of academic excellence, collaboration, innovation, and transformative leadership. Each is a recognised leader in management education and offers a wide range of business-related degrees and executive programmes.

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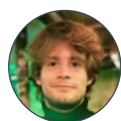
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"Being recognized worldwide as a think-tank, FGV-EAESP not only produces academic research in management and public policy, but also applies research via its close relation with the corporate world. its participation in the Council on Business & Society enriches its global vision through the multiple perspectives generated by the Council's initiatives."

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TRINITY COLLEGE DUBLIN BUSINESS SCHOOL, IRELAND

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DEAN ANDY LOCKETT, PROFESSOR OF STRATEGY AND ENTREPRENEURSHIP,
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"As a leading European business school at a world-class University, Warwick Business School is committed to developing ideas and people that shape how we do business. We believe in the power of education to create the leaders the world needs to tackle societies' great challenges, such as global warming, ageing populations and increasing inequality."

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"The School of Management, Fudan University joined the Council to communicate, exchange and collaborate with our global partners, absorb advanced management ideas and share China's unique experience. As a leading business school in China, we will make continuous efforts to drive the mutual development of global management education and the social economy."

DEAN LEE NEWMAN,
IE BUSINESS SCHOOL, SPAIN

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DEAN MARK SMITH,
STELLENBOSCH BUSINESS SCHOOL, SOUTH AFRICA

"At Stellenbosch Business School we pride ourselves on our commitment to responsible leadership through teaching, research and social impact. We are committed to making a difference throughout our local, national and international ecosystems and proud to be members of the Council on Business & Society."

DEAN AND PRESIDENT VINCENZO VINZI,
ESSEC BUSINESS SCHOOL, FRANCE, ASIA-PACIFIC, AFRICA.

"At ESSEC, we believe that training students and participants for responsible leadership is key for answering the challenges of a complex world. Together with the members of the Council on Business & Society, we strive to promote responsibility so as to impact today's economy and society, and shape tomorrow's world."

DEAN SAKASUME YU,
KEIO BUSINESS SCHOOL, JAPAN

"As the leading business school in Japan, it is our duty to investigate how business should maintain a balance with global societal issues. We desire to explain to the world what Japan has experienced through rapid growth by means of the Council on Business & Society."

/EDITORIAL

**Prof. Adrian ZICARI,
ESSEC Business School,
Academic Director CoBS**

Back to the future?
A new crisis and an opportunity to develop the best in ourselves

This beginning of a new academic year – at least in the northern Hemisphere – is a new start for life in business schools. Students come once again to campus, professors head back from their research conferences, school leaders launch new initiatives, and gradually, activity returns. Moreover, for many of us, we begin an academic year with considerably fewer sanitary restrictions, as the pandemic seems now contained in many countries. There is almost a routine picture in many cases, as it happens every year, year after year.

However, outside of the academic sphere, this time it is not business as usual. In most of the world, there is a litany of incertitude: increasing conflicts, energy restrictions, climate change and now, after many years of absence, inflation once again appears in many economies. Consequently, this *Global Voice* issue is dedicated to one of today's grand challenges: energy, or better said, the prospect of energy scarcity.

For those of us who have been blessed with age and experience, this concern over energy scarcity reminds us of discussions in the 70s, among them the dire predictions of the Club of Rome at the time and the Oil Crisis of 1973. Nowadays, we might well be heading for a challenging situation in terms of energy – and also with a complex road ahead. Businesses in some countries are already facing difficulties as the price of energy rises dramatically, costs are being transferred to consumers, transport and supply chains – having rebounded from the pandemic – are once again facing soaring increases in fuel prices, and finally, many national news journals focus on the very probable challenges facing citizens in the colder countries this winter as heating bills rise and possible electricity cuts loom as an echo of the early 70s.

But far from following the easy path of gloom or despair, we at the CoBS consider that challenging times are instead an opportunity to develop the best in ourselves, to become better citizens, more learned scholars and indeed wiser persons. Only by following this path can we address these grand challenges and increase our chances for success. Indeed, on a larger scale, governments might well be stimulated by the current energy crisis to make a faster, more effective transition to planet-friendly renewable energies, spurred also by the UN SDGs. And this will, positively, have a cascading effect on businesses and individuals too.

At the CoBS, we intend to help this common effort a little by doing what we know best: bringing new insights, coming from the relentless scholarly work of our member schools' faculty, that can empower policy makers, citizens and decision-makers. With this hope in our hearts, our wish is that you appreciate and become inspired by this 23rd issue of the Council on Business & Society's *Global Voice* Magazine.

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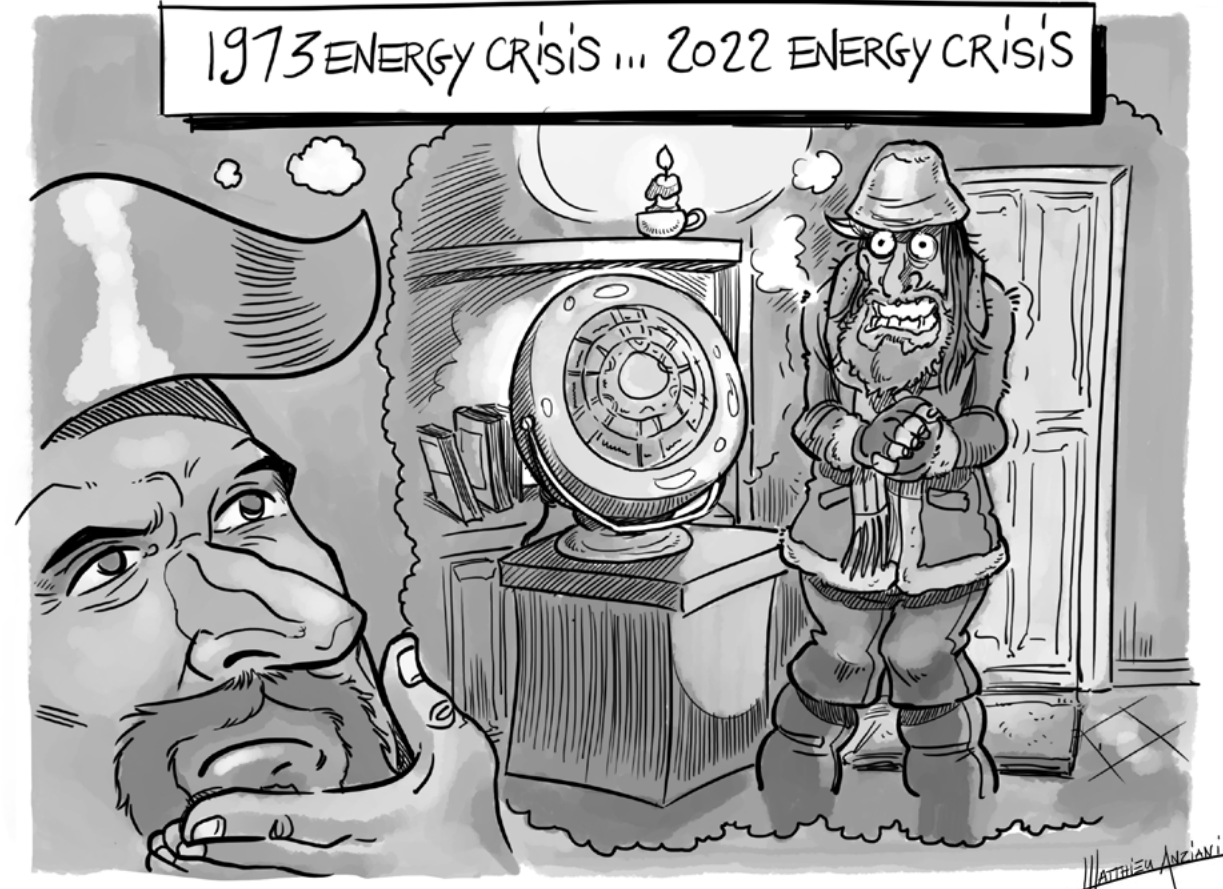
MANAGEMENT & LEADERSHIP

THE THREE PILLARS OF RESPONSIBLE LEADERSHIP

Professors **Haridimos Tsoukas, Warwick Business School, Adrian Zicari, ESSEC Business School,** and **Tanusree Jain, Copenhagen Business School,** join forces to propose a new way forward for corporations to respond positively to the current context of crisis, risk, and, for many, loss of bearing.

Crises are not new to the Human Race. Through the turn of centuries and now well into the 21st, crisis may even be viewed as a normal state in a world characterized by competing economic and governance schools of thought, complex systems, rising standards of living amidst diversity of cultures and behaviours – not to mention our now full grown awareness of the impact of this expanding human activity on our planet and beyond.

Despite our continuing attempts since the beginnings of society to understand the complexity of the interconnected world around us – indeed creating some degree of restraint – and to maintain an element of control, it can well be deduced that crises are somewhat unavoidable given the fallibility of humankind. Each successive generation has seen its share of them but the current arguably faces one that could well spell the end of human civilization as we know it.

A CRUCIAL ROLE FOR COMPANIES AND INSTITUTIONS

The large-scale upheavals of recent times have left people without a compass bearing which has created extremity of thought and of leadership, exacerbated fears and concerns

> **We call for leadership that offers positive vision and a world towards which people want to go and which is not imposed.**

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NEW LEADERSHIP FOR NEW CHALLENGES

Ethical leadership is a first priority. It involves the ability to influence others to take a moral stance on issues affecting or related to the organization. Insofar as an organization is a "moral system", its members are driven by a common purpose, ideals and values, which leaders embody in their behavior. Even the most operational activities are underlain by a certain ethos, which leaders exemplify – keeping promises, caring for others, respecting differences, promoting fairness and equality; fostering trust.

Ethical leaders feel an intense sense of responsibility to all stakeholders of the organization and to the broader system (ecological and institutional) that sustains their viability. Responsibility requires courage to discharge it – to speak up against inequality; to take a moral stand on matters of value to the community; to take initiatives that advance the common good (both at the organizational and societal level); to lead the way to establish new norms or refine current ones in the face of new challenges.

Ethical leadership involves humility – one will never know everything; mistakes will be made; everyone has something to contribute to the conversation; we are all vulnerable beings, parts of a broader cosmic order. Responsible leaders know there is life outside their organizations and have created a life story in which they seem themselves as contributors to a better world for the future generations.

GOVERNANCE THAT IS INCLUSIVE

And importantly it emphasizes the decision-maker, and the need for responsible governance – a collective of diverse voices and viewpoints working through multi-stakeholder expectations, driven towards a purposeful long term vision. On too many occasions, it is by surrounding oneself with silent voices or similar voices that corporate misconduct occurs. The new model of governance has to be agile, gender diverse, collaborative, deliberative and discursive bound by values and inspired by its potentially positive impact on business, society and the planet.

MEANING FOR PEOPLE, COMPANIES AND PLANET

The third pillar for this positive future is the necessity for social and environmental accounting. Because measuring is frequently the first step towards managing. As Kaplan and Norton famously said in their researchbased article on the balanced scorecard, "What you measure is what you get". Organisations can claim their commitment to social and environmental impact, but there is scant progress unless those impacts are measured, tracked, and eventually communicated to the public.

In that sense, the increasingly frequent practice of publishing CSR / Sustainability reports is a step in the good direction. This kind of report backs up the organisation's financial

over a 'new unknown', and challenged the very way in which business and society has been functioning for the last several decades. Here, we may think of the persistent economic and social misgivings of the Great Depression and the Global Financial Crisis, the surge of virtual currencies, the large-scale burden on energy consumption, and digital disruption that redefines many long-standing industrial relations. Add to this the now, indisputable evidence of humankind's negative impact on the environment and the urgent need to now work with nature and not against it.

Despite society's growing distrust in governments and leaders, we believe that both our institutions and corporations are in a unique position to effectively and efficiently address the wicked problems of our times and those of the future. They have the resources necessary to create stability for billions of people and for our environment, and they have the capability to create purposeful living that integrates respect for both human and species diversity, while catalysing innovations for the common good through development of clean energies, virtuous supply chains and the circular economy.

In order to achieve this, we identify three essential areas of impact: Ethical Leadership, Responsible Governance, and authenticity through Social and Environmental Accounting.

report – on the one hand providing a message of the necessary business performance of a firm, and on the other demonstrating that the firm contributes to society and the planet either directly or indirectly.

And this does not simply have to be the privilege of large organisations – for research and practice have shown that tools such as the Value Added Statement (VAS) allow even sole traders to identify where they have had positive impact on employees, the good of the state, local communities, and the environment. Haller and van Staden (2014) explain that the VAS can become a "practical and effective reporting instrument", thus complementing other reporting standards. For instance, a mining firm in Mexico – one of the largest silver mines in the world – has been using VAS for more than a decade.

By doing this, the company discloses how different stakeholders (particularly employees) maintained their share in value distributed over time. Comparable experiences exist in South Africa, Brazil and the UK, among other countries. The takeaway is that even small companies – whose aggregated impact in terms of employment, production and revenue can be significant – can, indeed should use this kind of reporting, as it is relatively simple to prepare and remains meaningful for stakeholders and managers alike.

THE WAY FORWARD

Crisis is nothing new, though it can be addressed anew. Rather than return to old models of tackling crisis with cutbacks and austerity, tighter control over freedom of speech and attempts to muzzle difference be it voice or diversity, we call for leadership that offers positive vision and a world towards which people want to go and which is not imposed. Where innovation does not simply mean taking from the planet's limited resources, or cynically exploiting human resources. And where leadership centres as much on generosity and respect towards others and the wider system as the generating of profit and wealth for the interested few. ///

KEYS TAKEAWAYS

◻ Crises are unavoidable given the fallibility of humankind, but the current situation is urgent and places the future of humankind at risk.

◻ Three essential areas of impact to help turn this situation around are: Ethical Leadership, Responsible Governance, and authenticity through Social and Environmental Accounting.

◻ Ethical leadership requires the ability to influence others to take a moral stance on issues affecting or related to the organization, with leaders keeping promises, caring for others, respecting differences, promoting fairness and equality; fostering trust.

◻ Ethical leaders feel an intense sense of responsibility to all stakeholders of the organization and to the broader system (ecological and institutional).

◻ Responsibility requires courage to speak up against inequality, take a moral stand on matters of value to the community, and take initiatives that advance the common good.

◻ Ethical leadership involves humility: everyone has something to contribute to the conversation.

◻ There is a need for responsible governance – a collective of diverse voices and viewpoints working through multi-stakeholder expectations, driven towards a purposeful long term vision.

◻ There is a necessity for social and environmental accounting because measuring is frequently the first step towards managing.

◻ CSR/Sustainability reports do not have to be the privilege of large organisations: tools such as the Value Added Statement (VAS) allow even sole traders to identify where they have had positive impact on employees, the good of the state, local communities, and the environment.

RESPONSIBLE MANAGEMENT EDUCATION: MOVING A COW OUT OF A DITCH

> **B-schools have changed the way they perceive their self-assigned role in society towards a value-based education of leaders.**

The need for managers and CEOs with social responsibility and values is at an all-time high with no signs of slowing down in the near future. Will addressing this issue at the grassroots level provide us with the desperately needed change? Dr **Jako Volschenk, Stellenbosch Business School,** Professors **Ezequiel Reficco, ESCP Business School,** J. Amran, **Carlos Andres Trujillo** and **Maria Helena Jaen, Los Andes University,** examined the impact of the Principles of Responsible Management Education (PRME) in business schools of South East Asia, Latin America, and Sub-Saharan Africa.

Related research: Reficco, E., Helena, J., Trujillo, C., Volschenk, J. & Amran, A. 2020. Are emerging countries walking their talk? The internalization of responsible management education in Asia, Africa and Latin America. Paper 87, *The 2020 Business Association for Latin American Business Studies Annual Conference*

RESPONSIBLE MANAGEMENT EDUCATION

While the concept of Corporate Social Responsibility (CSR) has been around for a much longer time, mention of Corporate Social Performance (CSP) has been increasing since the 1970s. The difference between the two, although subtle, is significant. A critical component of the CSP construct is the 'social responsiveness', or the capacity of an organization to adapt its behaviour to social needs.

At this point, it is a no-brainer to stress the importance of going "beyond knowledge" in managerial education to encompass the development of socially desirable attitudes and values by educating students as stewards of society. It would be worthy to argue that civic behaviour can and should be developed in classes and beyond.

In a time where studies of social responsibility focus exclusively on private companies, there has emerged a new area of intellectual enquiry – Responsible Management Education – which looks at the extent to which business schools (B-schools) deliver in response to their stakeholders' demands.

PRINCIPLES OF RESPONSIBLE MANAGEMENT EDUCATION IN B-SCHOOLS

Globally, the UN PRME agenda has been gaining increasing traction over the last few years. This is particularly evident and important in B-schools since they churn out thousands of graduates every year who go on to lead and influence virtually every type of organization – with each and every one of them having the opportunity to impact what our future will, or will not, look like.

Another factor that has contributed strongly to PRME, especially in African B-schools, has been high-profile corruption scandals in both the public (the Gupta state capture) and private (McKinsey, Bain & Company and Steinhoff are three prominent and recent cases) sectors. These scandals have put pressure on business schools to go beyond technical education and internalize the values of ethical and sustainable development. It is also interesting to highlight from our research that the higher the B-school in terms of prestige, the more they felt pressure from society to include responsible management in their education.

However, the PRME commitments are not without challenges. It entails a fundamental rethinking of a B-school, going from "a training centre for functional specialists" to a place that "helps to improve organizations and companies in their functionality for society". Have there been any effects of the PRME agenda in B-schools, and if yes, what exactly has changed?

A NEW ROLE

The key finding of the research is that in the last decade, B-schools have changed the way they perceive their self-assigned role in society towards a value-based education of leaders. Almost all the schools that were studied by Dr. Volschenk and his fellow researchers research reported internal changes that were a direct result of the new role they had adopted.

It is interesting to note that this new role was adopted due to a combination of two groups of factors: the first group of factors revolves around national debates (crisis in values, demands for ethical leadership, climate change crisis, corruption scandals) and the second set emanates directly from immediate stakeholders (student demand and pressure from companies for sustainability content).

On a practical level, the implementation of this new role has different dimensions and depths. While changes in content and methodologies to include social values are the most common reform, there are also deeper changes in strategy and pedagogy as well as the schools' administrative structures.

It is hard not to look at this new role of B-schools – and more importantly, the coming together of national debates with the local stakeholders' insistence on creating a more holistic environment for future managers and CEOs – as a victory, albeit the first and a small one, for the PRME agenda.

EDUCATING 'ABOUT' SUSTAINABILITY VS EDUCATING 'FOR' SUSTAINABILITY

As serene and beautiful as it feels to imagine a world where people and organizations make the right choices not just for themselves but for the environment and humanity as a whole, currently we are a long way from that world. And in our world, rare is the noble initiative that will be accepted and followed honestly and selflessly.

Despite a strong incentive to issue clear signals in favour of sustainability to their stakeholders, some schools may decouple their espoused commitments from their practices. De-coupling is when B-schools don't institute actual changes and include sustainability in organizational activities, but rather merely indicate that such change is taking place.

Anyone who has had even the slightest interaction with a B-school would know how concerned they are about the school's ranking. It is a welcome sign that more and more rankings are considering sustainability and social responsibility as key criteria in their evaluation of a school – since schools would invest in such activities for their reputation. The same is true for accreditation bodies – most of the most recent revisions of standards and principles of accreditation agencies place much more focus on sustainability and impact.

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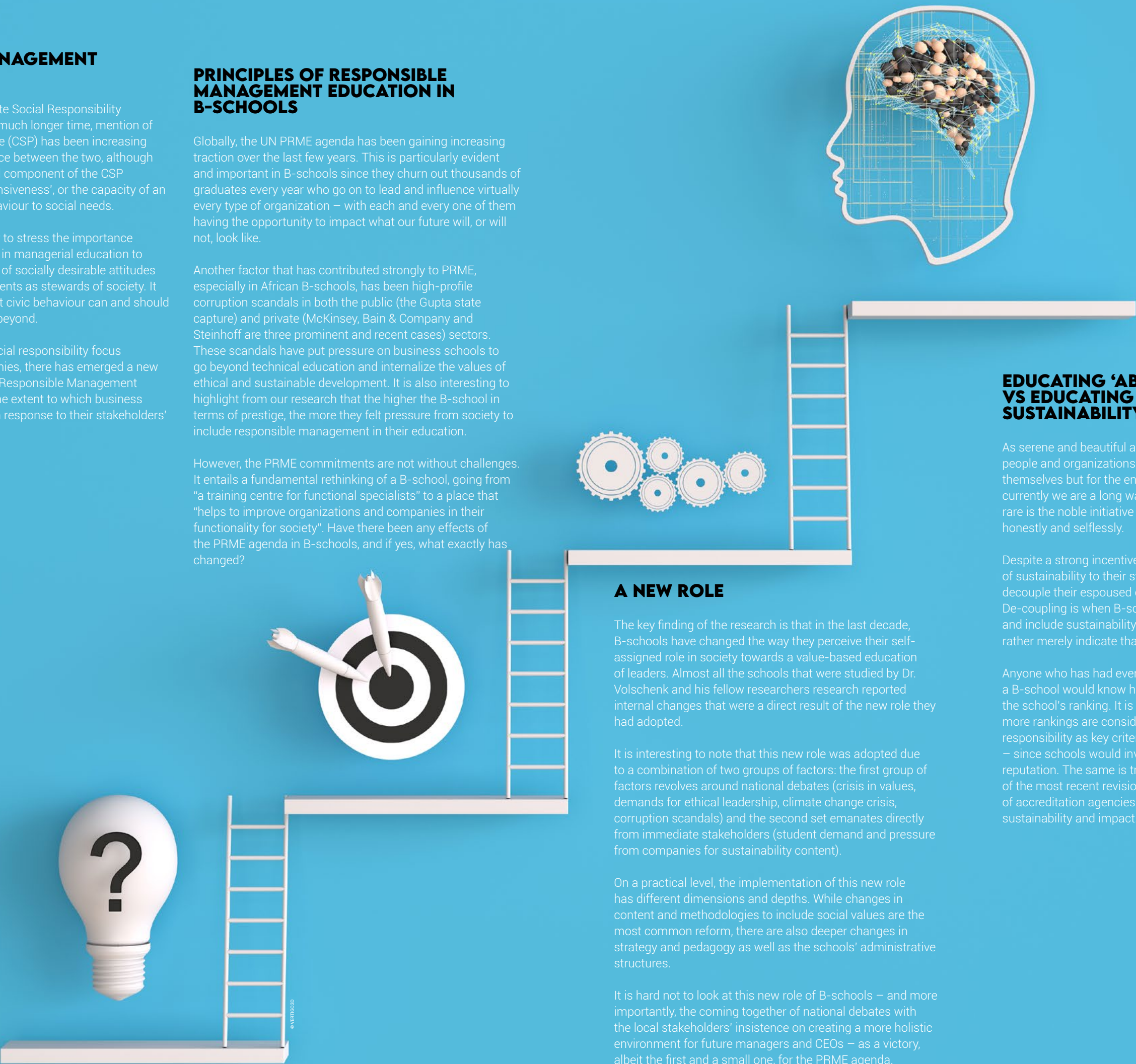
HOW TO MOVE A COW OUT OF A DITCH

Dr Volschenk uses an anecdote from his youth to explain the push and pull factors that can move business schools towards positive societal impact. To move a cow from a ditch requires someone to push and someone to pull the cow. While the research shows that a new and more progressive generation of students represent a pull force on business schools, the PRME play a critical role in pushing schools towards constantly evolving needs and expectations. Progressive schools lead the way for others to follow.

For Dr. Volschenk and his fellow researchers it is imperative that B-schools instil a socially responsible mindset and thought process in students while they are in their studies. Current cohorts of students are the future leaders of business, and should be educated to be stewards of society, and not just future money-making machines. ///

KEYS TAKEAWAYS

☐ A critical component of the Corporate Social Performance (CSP) construct is the 'social responsiveness', or the capacity of an organization to adapt its behaviour to social needs.

☐ PRME agenda is particularly evident and important in B-schools since they churned out thousands of graduates every year who go on to lead and influence virtually every type of organization, and each and every one of them has the opportunity to impact what our future will, or will not look like.

☐ The key finding of this research is that in the last decade, B-schools have changed the way they perceive their self-assigned role in society towards a value-based education of leaders.

☐ It is hard not to look at this new role of B-schools and more importantly, the coming together of national debates with the local stakeholders' insistence on creating a more holistic environment for future managers and CEOs as a victory, albeit the first and a small one, for the PRME agenda.

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☐ It is imperative that we instil a socially responsible mindset and thought process in the students while they are in school.

Stellenbosch Business School

Choose your journey towards responsible leadership.

Saara Hamunyela, alumnus

The world is fraught with challenges and an abundance of potential to choose a more desirable future of all. Against a backdrop of climate change, inequality, and the struggle against gender-based violence, it is crucial that the business you choose challenges you to change the world. This is why Stellenbosch Business School is so strongly committed to delivering learning experiences that will help you to become a responsible leader.

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STRATEGIC AND RESPONSIBLE HR MANAGEMENT

Robin Andrews, Senior Global Program Manager at Microsoft and **Trinity Business School** EMBA alumnus, explores the field of HR and the strategies that help make a virtuous circle for corporate culture, employee, and business performance.

Leaders need to be conscious of HR and the impact on employees, as the HR department is a relatively small piece of HR within an enterprise. Moreover, the administrative aspect of HR is being increasingly outsourced to either a centralised team or to employees and managers.

This outsourcing needs to be handled carefully, as difficult life events, such as illness and death, can be covered by an outsourced process, leaving not only the directly impacted employee, but the entire organisation feeling disillusioned with the outcome.

HEALTHY CULTURE, HEALTHY PERFORMANCE

As such, a leader may need to step in to ensure that the strategic partnership role of HR is being maintained. HR should be an enabler, so that managers can drive the culture within their teams and fulfil strategic goals. And although it may be a cliché that a company's most valuable asset is its people, it is true insofar as the employees are the ones that implement the strategic objectives and define the strategic advantages.

Higher quality staff provide a lead over an otherwise comparable competitor. However, people need to be developed and kept motivated. How work makes an employee feel is important for both them and the company and having a

> " HR has aspects of admin, but at its core it sets the policies that build the culture that enables the strategy that drives the business.

healthy place to work is critical and, as a leader, it is important to call out toxic practices and attempt to rectify them.

The framework used by the Healthy Place to Work initiative in Ireland provides some useful objectives. Even if a company does not decide to get certified, striving to meet the requirements will improve the mental and physical health of employees, increase productivity and improve reputation.

HR AND AI

There is an increasing trend to go beyond merely outsourcing HR to fully automate parts of it. HR systems are a vital part of business and, certainly, some of the more routine functions can be managed through a bot that can handle simple requests. But HR is often seen by employees as being a direct connection with the company – there is a balance to strike between efficiency and relationship.

The fractured nature of an organisation adds an extra challenge to unifying HR practices, yet for reasons of fairness and legality, employees should experience some consistency irrespective of location. More importantly, companies need to have a clear view of HR resources. Building a healthy and productive workplace is dependent on the organisation having the infrastructure that supports governmental requirements, as this enables managers to drive a consistent culture through the shared corporate experiences.

Recruitment is a challenge for any organisation. Automation has also entered this area, with candidates being interviewed by a machine and recordings processed using AI technology. To some extent, ATS systems and other computer processing of applications is unavoidable – the sheer number of applications limits human capacity to process them. However, the candidate experience is also important. Leaders should require that anybody's experience with a company is positive, especially as job applications can be highly emotive. Too often, consideration for the candidate is sacrificed for efficiency. Moreover, there is not an easy way to identify the ideal candidate for a role. Psychometric tests, multiple interviewers and other techniques can go some way to alleviate the issue, but companies need to take a long-term view of employment rather than look for candidates that fill a very specific current opening. Cultural fit is important to build the culture that drives the strategy. Treating interviews as a tick-box exercise of requirements is a short-term view.

ENVIRONMENT AS A MEANS TO SHAPE BEHAVIOURS

When designing an ideal working environment, a leader must consider the psychological needs of the employees. People do their best work when silos are broken down and they are in a position of psychological safety. An open environment when there is implicit trust fosters creativity and innovation as well as much higher levels or productivity. Consciously trying to design such an environment may be difficult, given the nuances of human nature. However, an agile approach with incremental changes to the team can find the best organisational structures

and processes that build trust, productivity and creativity, ultimately leading to higher job satisfaction.

Indeed, job descriptions need to consider the satisfaction of the individual. Although tempting to create jobs loaded with similar tasks, every level of an organisation needs a mix of tasks that give a sense of having an impact on the world, including contact with external customers, opportunity to design their daily tasks and seeing a task from end-to-end. And a leader needs to drive a culture where this is the norm. They may not be able to control every job description, but they can encourage mangers to be conscious of this need. This also benefits managers, who have more time to focus on their own satisfaction if their direct reports are intrinsically motivated to perform.

RESPONSIBLE AND VIRTUOUS

HR has aspects of admin, but at its core it sets the policies that build the culture that enables the strategy that drives the business. There have been many successful companies that have had toxic work environments, but few succeed in the long term, especially in today's innovation driven world.

For all the 'customer obsession' and 'customer is number one' rhetoric that many companies espouse, companies are made up of employees that are more central to success than any given customer. Leadership must ensure that HR people policies and processes are conducive to an environment of trust, respect and self-fulfilment that ultimately lead to higher levels of productivity and innovation. ///

KEYS TAKEAWAYS

- ❑ HR should be an enabler, so that managers can drive the culture within their teams and fulfil strategic goals.

- ❑ Having a healthy place to work is critical: As a leader, it is important to call out toxic practices and attempt to rectify them.

- ❑ There is an increasing trend to fully automate parts of HR, but HR is often seen by employees as being a direct connection with the company: There is a balance to strike between efficiency and relationship.

- ❑ Cultural fit is important to build the culture that drives the strategy. Treating interviews as a tick-box exercise of requirements is a short-term view.

- ❑ When designing an ideal working environment, a leader must consider the psychological needs of the employees. People do their best work when silos are broken down and they are in a position of psychological safety.

- ❑ Although tempting to create jobs loaded with similar tasks, every level of an organisation needs a mix of tasks that give a sense of having an impact on the world.

- ❑ HR people policies and processes are conducive to an environment of trust, respect and self-fulfilment that ultimately lead to higher levels of productivity and innovation.

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WHY BIG FIRMS ARE RARELY TOPPLED BY SCANDALS
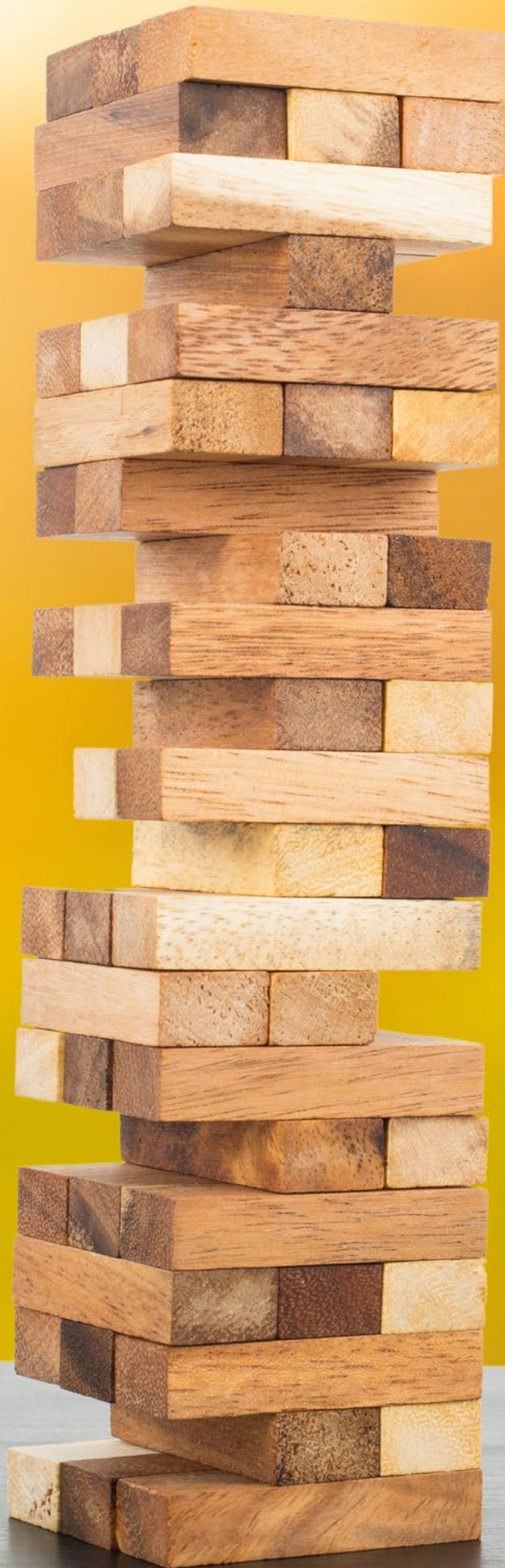
Why do many corporate gaffes and scandals cause only a slight blip in sales and reputations? Professor **Irina Surdu, Warwick Business School,** explores the impact of the courts and customers.

> **People's response to a company is driven by more mundane considerations.**

Everyone makes mistakes. And that includes the world's biggest companies, which are reliably prone to gaffes, errors of judgment and wrongdoing.

Some of these moments could even be labelled as corporate scandals – the kind of incident which shoves firms into the spotlight and places their activities under detailed public scrutiny. But do these events do lasting damage? Does an oil spill, fraudulent activity or other unethical behaviour really affect highly valued reputations, sales and market value?

Our research suggests not. In fact, our analysis of the effects of a wide variety of business scandals shows that only rarely is the effect as severe as we might imagine. Instead, it seems the public has a strong tendency to forget and move on. And even initial unplanned (and at the time unwanted) attention can lead to greater brand awareness, proving the old adage that any publicity is good publicity.

SPOT THE SLIGHT BUMP IN THE ROAD

Take the recent furore over Spotify. In early 2022, the world's largest music streaming service was accused by science and health professionals of offering a platform for misinformation about COVID.

So what happened next? At first, there was a dip in the stock market price of about 12% when artists including Neil Young, Joni Mitchell and Graham Nash announced they were withdrawing their music from the service. This financial hiccup was followed by an immediate stock price rebound that is likely to climb beyond pre-scandal levels. Spotify went on to add disclaimers to its COVID-related content and removed some content.

So in the long term, this will probably turn out to be nothing more than a slight bump in the road for Spotify. As a business, it provides a hugely popular service and boasts 172 million premium subscribers around the world, 28 million of whom joined in 2020. How many of them will cancel their subscriptions and forgo access to their carefully curated playlists because Young and Mitchell have decided to walk?

And while it is true that the company's business model relies on musicians and other content providers, the reality is that most artists cannot afford to not be on the platform. Giving Spotify the benefit of the doubt, it's entirely possible it made an honest mistake and underestimated how sensitive some people have become to discussions about the pandemic. Customers will probably make peace with this.

Likewise, Netflix will doubtlessly survive recent controversies over some of its content, such as the British comedian Jimmy Carr's comments about the Holocaust. With so many subscribers around the world attracted by the service's wide range of content, Netflix is another example of an industry giant that can shrug things off.

And remember Facebook's market collapse after it was linked to the personal data of millions of users being collected by the political consulting firm Cambridge Analytica? Don't feel bad if you don't, it lasted about seven seconds (OK, maybe seven days). The company then recovered all of the US$134 billion (£102 billion) it had previously lost in market value.

LAW AND DISORDER

So what makes some scandals stick? In our research, we found that only certain scandals tend to have significant negative effects on corporate reputations and performance. One apparently vital element is a company being found liable in a court of law. The legal process gives weight and depth to a scandal that might otherwise have quickly disappeared.

The Volkswagen emissions scandal for example, started in 2015. Seven years later, the company is still negotiating settlements in class action lawsuits brought against it for cheating on emissions tests.
The company's share price dropped 30% immediately after the scandal (it has improved since the move towards electric

vehicles) and Volkswagen's reputation is still tarnished by the event, as it continues to attract significant regulatory scrutiny, affecting its status among investors.

Similarly, years after being found responsible for the Deepwater Horizon disaster in the Gulf of Mexico in 2010, BP is still paying the price of its negligence, as it continues to be embroiled in many lawsuits. And following regulatory intervention, German financial services provider Wirecard is not even around anymore to tell the story of how €1.9 billion (£1.6 billion) disappeared from its balance sheet.

Yet without corporate culpability determined by the court of law, very few accusations stick, even in the face of media scrutiny. Without clear evidence of harm caused to a group of people, there is very little in the way of measurable negative impact, or demand for compensation for the damage caused.

As consumers, we often like to signal moral superiority and enjoy some of the drama provided by the corporate discomfort of a juicy scandal. But our research found that people's response to a company is driven by more mundane considerations. These are price, convenience, loyalty, ease of use and habit – and there aren't many scandals considered quite scandalous enough to make us change any of those. ///

KEYS TAKEAWAYS

- Research shows that the effects of business scandals rarely impact consumers, the public having a strong tendency to forget and move on.

- Even initial unplanned (and at the time unwanted) attention can lead to greater brand awareness.

- Big, household names subject to scandal often show a short downturn in sales/stock price usually followed by a rebound and increased value/sales. Recent examples are Spotify, Netflix and Facebook.

- Only certain scandals tend to have significant negative effects on corporate reputations and performance, one vital element being if a company being found liable in a court of law (ex: The Volkswagen emissions scandal and the Deepwater Horizon disaster).

- Without clear evidence of harm caused to a group of people, there is very little in the way of measurable negative impact.

- People's response to a company is driven by price, convenience, loyalty, ease of use and habit. Not many corporate scandals impact all these considerations.

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TOWARDS RESPONSIBLE FINANCE & ACCOUNTING

> **CSR, Sustainability and Business Ethics are becoming more and more relevant for Accounting and Finance. They are no longer merely good intentions or praiseworthy considerations.**

Upon the publication of the first book in the Routledge-CoBS Focus on Responsible Business series, Professors **Adrian Zicari, ESSEC Business School** & **Council on Business & Society,** and **Qinqin Zheng, School of Management Fudan University,** set the tone for the shift towards responsible finance and corporate accounting.

For a long time, the fields of Accounting and Finance seemed to be detached from social responsibilities and ethical considerations. For many people, both in practice and in academia, those issues were of course important, but they still remained alien to the essence of business. They were considered unimportant for the business model and irrelevant for corporate strategy.

Moreover, they were neither a central issue to research or learning at business schools. At most, these issues would be seen as a kind of afterthought or perhaps an issue to relegate to a compliance officer.

We may see here the long shadow of the famous Friedman (1970) article, so frequently cited and so frequently "mis-cited" too. While this is not the place to begin (another!) discussion on that article, we can safely say that most people retain Friedman's idea of a strict separation between efficiency and social responsibility. The role of management would be exclusively to make the "wheel" turn faster as long as the rules of the game were respected. Only in that context can we understand Friedman's famous claim, "the social responsibility of business is to increase its profits". Nothing else would matter.

KEYS TAKEAWAYS

☐ For many in financial & accounting practice and academia, the issues of social responsibility and ethical business remained alien to the essence of business.

☐ They were considered neither important for the business model and irrelevant for corporate strategy, nor a central issue of research or learning at business schools.

☐ The influence of Friedman's article in 1970 has endured: "the social responsibility of business is to increase its profits".

☐ But recent studies indicate that social performance does matter. Shareholders care about the social impacts of the companies whose shares they own.

☐ CSR/Sustainability/Business Ethics are becoming more and more relevant for Accounting and Finance. They no longer constitute a public image "strategy" or a choice for others to implement. Today, in the context of ESG they are becoming the normal way to conduct responsible and ethical business.

NO LONGER A SIMPLE GOOD INTENTION

However, recent studies indicate that social performance does matter. We used to think that it was of concern only to clients, employees and the community. The novelty is that social responsibility matters to shareholders as well. These shareholders care about the social impacts of the companies whose shares they own. Indeed, much current research consistently supports the idea that this trend is increasing everywhere, and that it goes well beyond the specific niche of socially responsible investing.

As such, we can claim that CSR/Sustainability/Business Ethics are becoming more and more relevant for Accounting and Finance. They are no longer merely good intentions or praiseworthy considerations. Indeed, they no longer constitute a public image "strategy" or a choice for others to implement. Today, in the context of environmental, social and governance responsibilities, as well as the lasting impact of the pandemic and cycles of crisis, they are (or are becoming) the normal way to conduct responsible and ethical business. ///

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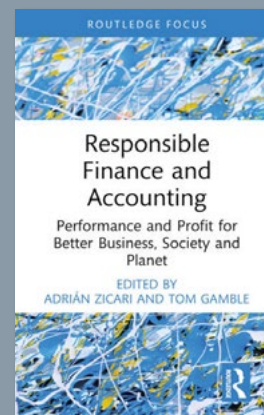
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GOOD, BUT NOT ENOUGH: THE FIGHT AGAINST CSiR

We see the headlines: Vale dam collapses, killing nearly 300 people; BP's oil well explodes in the Gulf of Mexico; Lehman debacle causes the greatest financial crisis in history. All are examples of corporations inflicting harm on society. In an attempt to inspect such misconduct, Prof. **Rafael Alcadipani, FGV-EAESP,** puts the notions of corporate social irresponsibility and corporate crime under the magnifying glass.

Related research: *When Corporations Cause Harm: A Critical View of Corporate Social Irresponsibility and Corporate Crimes:* Journal of Business Ethics.

"It came without warning in the dead of the night. Most people drowned in their own body fluids. It was a total failure of all systems. The 574,000 people who survived wish they were dead too. A whole generation born after the disaster is marked, damaged." — Satinath Sarangi, social activist, sums up the nightmare that cannot be erased from our memory.

INDIA'S VERY OWN CHERNOBYL AND THE SAGA OF ELUSIVE JUSTICE

Thirty-seven years ago, on the night of December 2, 1984, Bhopal died a million deaths. 40 tons of a highly toxic gas called methyl isocyanate spewed from a pesticide plant, immediately taking at least 3,800 lives and causing significant morbidity and premature death for many thousands more.

> " **Research on CSiR posits that, in multinational corporations, a given company can act irresponsibly in one geographical location and responsibly in another.**

Union Carbide Corporation, the company involved in what became the deadliest and most disgraceful industrial accident in history, immediately tried to dissociate itself from legal responsibility. Eventually it reached a settlement in 1989 with the Indian Government through mediation of the country's Supreme Court and paid $470 million in compensation, a relatively small amount based on underestimated figures, of both the dead and the injured.

What's more, the Dow Chemical Corporation, which bought out the Union Carbide Corporation in 2001, denied responsibility towards the victims and survivors of Bhopal — many of whose bodies were trapped in a myriad of ailments and disabilities — and said that it wouldn't pay any further compensation as the 1989 settlement was more than 'adequate and fair'.

The same company later went on to engage in 'corporate sin washing' and reap the PR benefits of association with the 2012 Paralympics by being one of its sponsors. On a different note, it was also listed as the world's second largest polluter according to a 2010 US Environmental Protection Agency report. All this while the company's tagline was 'putting humans first'.

SECOND FIDDLE

Almost every year, there is at least one significant worldwide corporate scandal creating suffering for a large number of people. The term corporate social irresponsibility (CSIR) is used to designate such phenomena, which are characterised by unethical and morally distasteful behaviour that inflicts harm at different levels of intensity — from death to material loss — to both internal and external corporate stakeholders.

Despite a high frequency of irresponsible corporate behaviour, the field of business ethics and society has favoured discussions of corporate social responsibility (CSR) over investigating CSIR. And research on the former has been centred on the meaning and expectations of responsible corporate behaviour rather than irresponsible behaviour. This is problematic because, in doing so, CSR research has rarely explored events in which corporate profit maximising is in dramatic conflict with the needs of internal and external stakeholders. Even worse, what if harmful corporate actions can be considered crimes?

The term corporate crime has been widely used in recent decades for corporate practices and conduct that violate criminal laws. Such practices have had a severe impact on the daily lives of various corporate stakeholders, as they come with a heavier financial burden and have claimed more lives than street crimes. As such, research on the topic is a matter of utmost urgency.

Given this scenario, Profs. Alcadipani and Medeiros set out to conduct a probe into the notions of CSIR and corporate crimes. And they start off by shedding light on the world of Critical Management Studies (CMS).

THE PRIVATE TYRANT AND HIS SMOKE SCREEN

CMS is a movement that examines and questions the legitimacy of existing management practices. It heavily focuses on corporate 'dark sides', both those taking place within organisational boundaries — sexual harassment, psychological abuse, for instance — and phenomena occurring outside organisational limits — frauds, environmental disasters, etc.

CMS has shown that corporations are far from having a non-problematic and solely positive existence in the world. One of the main characteristics of corporations that raises concern within this movement is their power and ability to influence a wide geographical, cultural, and social area with the aim of obtaining higher profits. Such power is perceived as having no or very little limits, impacting policies and societies worldwide.

Corporations are also regarded as political entities, sites characterised by power struggles in which some groups dominate others by drawing on resources from both the firm and the broader society.

And how is CSR viewed in the critical management realm? CSR initiatives have been criticised for serving only as a marketing strategy with little impact on corporate stakeholders. Such actions have also been described as mere corporate rhetorical tools that enable legitimation of corporations that cause negative environmental and social impacts.

TURN A BLIND EYE

Within the CMS movement, postcolonial thought has been used to discuss general issues of management and organisations. The postcolonial approach promotes the examination of a range of social, cultural, political, ethical and philosophical questions based on a scrutiny of the colonial experience and its persisting reverberation in today's world.

In this light, multinational corporations (MNCs) have been considered colonial spaces, which generate conflict with local communities and perpetuate exploitative relationships between the Global North/South through CSR activities. The Global North encompasses rich and powerful regions such as North America, Europe, and Australia whereas the Global South refers to low or middle income countries that are located in Africa, Asia, Oceania, Latin America and the Caribbean.

CSR has been portrayed as a set of Western-centric practices that do not take into account the realities of the Global South and jeopardise the well-being of groups in the developing world through displacement and unemployment. By ignoring the differences between North and South, corporations from the first region tend to inflict harm to the latter.

Now that we have seen how CMS does not paint an optimistic picture of corporations and CSR, let us discuss how early research on CSIR and corporate crime analyse corporate harm.

TO CAUSE HARM AND TO BE HARMED

Debates around companies' social irresponsibility sprung from a dissatisfaction with corporate initiatives that claim to be socially responsible. CSR initiatives are considered 'too little, too late and too superficial', are directed at the wrong objects, and have not resulted in an exercise of responsibility commensurate with the size and importance of the modern corporation. Social irresponsibility is then defined as a decision to accept an alternative that is thought by the decision-maker to be inferior to another alternative when the effects upon all parties are considered. Generally, this involves a gain by one party at the expense of the total system.

Frequently, CSIR has been considered in relation to what stakeholders perceive to be socially irresponsible behaviour. Examples of CSIR include environmental disasters, corruption scandals, and corporate actions that harm customers and employees. CSIR can harm companies in that, as a result, they face difficulties in attracting customers, investors and employees, not to mention lawsuits and consequent financial losses. CSIR can also produce moral anger on the part of important stakeholders, and media coverage of CSIR increases the financial risk for companies involved in acts of irresponsibility. As such, research on CSIR has mainly focused on the impacts of corporate irresponsibility on the companies themselves.

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TWO PEAS, DIFFERENT PODS

If initially, CSIR tended to stress the limitations of the CSR rhetoric and the fact that immoral decisions were made by managers to generate profit at the expense of others, more recently, CSIR shifted its attention to the 'old shareholder business model', whereas CSR is presented as 'the new and emerging stakeholder business model'. As such, CSIR is viewed as the outcome of old fashion management styles. Additionally, CSIR is explicitly or implicitly perceived as the dual-opposite of CSR, making both notions interdependent. That means, discussing CSIR has the potential to better inform CSR practices.

The main characteristics of the CSIR model are the idea that environmental degradation and pollution are inevitable and little if anything can or should be done; the perception that employees are resources to be exploited; and that social exclusion is an inevitable by-product of the operation of the market. In contrast, the CSR business model is characterised by the ideas that environmental degradation and pollution are not inevitable, should not be tolerated and it is important to raise awareness and commit to action; employees are resources to be valued; and social inclusion helps to correct market inefficiencies.

The CSIR-CSR model can be described as a conduit of corporate governance in that it acts as an enabler to action. As a problem-solving tool, it can assist planning and help facilitate a potentially better managed, more productive and socially responsible, profitable business.

ROOT OF ALL EVIL

Research on CSIR advocates that corporate irresponsibility is the result of bad governance protocols and a lack of board oversight. Additionally, CSIR occurs when the strategic

management of stakeholders implements immoral practices grounded on deception and manipulation. That means, irresponsible behaviour is caused by the lack of moral values and ethical principles among corporate leaders.

CSIR also crops up when companies do not incorporate CSR into their business strategies or when there are pressures emerging from local markets or even corrupt local governments. As such, CSIR is believed to be the outcome of poorly managed corporations and the lack of moral values of top executives. And more and better CSR is seen as the antidote to CSIR.

SHARP PRACTICE

Corporate actions that harm organisational actors and/or society may be punishable by the law, especially criminal law, and have been discussed under the banner of corporate crime. Interest in criminal actions involving corporations can be traced back to white-collar crime – a violation of the criminal law by a person of respectability and high social status in the course of his occupation. Examples include the misrepresentation of corporate financial statements, manipulation in the stock market, and bribery of public officials. Essentially, the notion of white-collar crime focuses on the law-breaking misconduct of powerful corporate individual agents.

BONE OF CONTENTION

But this notion usually does not distinguish between crimes that individual agents commit against the corporation for their own private benefit, such as fraud, and crimes committed for the benefit of the corporation. Research on corporate crime deploys different terminologies, such as white-collar crimes, corporate wrongdoings, economic crimes, organisational

crimes and corporate frauds to designate similar phenomena. As a result, there are controversies around the idea of corporate crime.

Also, there is the significant concern around the question: can a corporate harmful action that is not against the law be considered a crime? The search for answers to this question has fuelled interesting debates. For example, while for some, corporate crime refers strictly to violations of criminal laws or convictions under these laws, for others, such crimes also include civil laws and regulatory violations.

Additionally, scholars have considered that the state definition of crime should be abandoned and replaced by definitions that take into account human rights given the ability of corporations to influence the enforcement of law. It has also been argued that when corporations engage in morally unacceptable practices that are not in violation of any present legislation, new laws and regulations must be created to avoid the recurrence of undesired corporate misconduct.

THE CORNERSTONE OF CRIME

Different levels of analysis explain the basis of corporate crimes: micro perspectives, which advocate that corporations offer several opportunities for crimes to be committed, but the decision to commit the crime is individual; macro perspectives, which assert that corporate crimes are committed by organisations or groups of individuals and can be attributed to institutional pressures originating from the competitive and legal environment in which the corporation operates; and meso-level or organisational-level perspectives, which consider corporate crimes emerging from corporations seeking to achieve performance targets. Meso-level perspectives also regard corporate crimes as the result of the interplay between individual choices and institutionalised values and social norms mediated by organisational features, such as culture.

That is to say, corporate profit-seeking activities, unethical corporate agents, flawed governance policies, lack of proper state regulation, and corporate environmental factors, such as competitive pressures, social contexts and legal frameworks, influence the occurrence of corporate crimes. The underlining idea is that corporate crime is an exceptional corporate dysfunction caused by multiple factors that can be combated with the appropriate state regulatory and legal framework.

RULE THE ROOST

Finally, it is important to note that MNCs can exert influence worldwide, particularly in countries in the Global South that have not developed a legal framework that addresses corporate crimes. Corporate interests and their political allies wield disproportionate influence over the legal system and law enforcement of local communities, reducing the likelihood that harmful corporate consequences will be criminalised or controlled.

Next, we have the authors' verdict on CSIR and corporate crimes.

A DANGEROUS CAMOUFLAGE

CMS perceives corporate harm as caused by the very essence of what corporations are. Framing corporate harm as mere corporate social 'irresponsibility' or as a 'crime' can be deceitful if it assumes that corporate-produced harms to society are exceptions to 'normal' allegedly positive corporate activities. By adopting such a naive view, CSIR and corporate crime perspectives take for granted that corporations and society have similar interests. As such, the notions of CSIR and corporate crime can be instrumental to disguising corporations' will to dominate in society as well as the fact that harm is a 'natural' consequence of what corporations do in attempting to maximise profit.

In the case of CSIR, particularly by portraying the harm inflicted by corporations as irresponsibility, by positing CSIR as the other side of the CSR coin, by perceiving CSIR as the consequence of bad governance protocols, and by advocating that CSIR can better inform CSR practices, CSIR is positioned as the 'evil' that CSR fights. In this way, CSIR works to legitimise CSR as non-problematic, as if only CSIR was problematic, and, as such, it ignores several critiques of the latter as serving as a smoke screen to corporate harmful actions against people and society.

Also, the term irresponsibility encompasses diverse types of corporate harms that can include significant environmental disasters and the death of numerous people, which are quite serious and painful occurrences. Referring to them as ordinary irresponsibility can be a discursive strategy to downplay the importance and significance of corporate wrongdoings as if they were minor events and, therefore, protecting corporations from more serious blame.

GOOD, BUT NOT ENOUGH

Unlike CSIR, framing corporate harmful actions as crimes highlights the seriousness of the corporate harm and can be perceived as giving the appropriate weight to the occurrence. But most corporate crime research suggests that corporate crime is performed by 'bad apples', be they individuals or companies, that need to be addressed via the appropriate legal regulations and sanctions. The logic of the 'bad apple' usually focuses on individual responsibilities and disregard the systemic logics that generate issues, as if excluding the 'bad apple' would be enough to avoid further similar issues.

THE MISSING REALITY CHECK

Given that there are various cases in which significant harm perpetrated by corporations affects people from the Global South, it is important to inspect CSIR and corporate crime research via postcolonialism-inspired lenses.

For instance, research on CSIR posits that, in multinational corporations, a given company can act irresponsibly in one geographical location and responsibly in another, and a universal conception of CSR and CSIR has been proposed to institutionalise CSIR control and foster CSR promotion. In both cases, there is no mention of the colonial condition of the Global South as an explanation for corporate irresponsibility in the region. In fact, very rarely has CSIR research considered the colonial difference and the North and South divide in accounting for corporate harm, as if corporate irresponsibility is the same and can be accounted for in similar terms all over the world.

Additionally, research on corporate crime as much as CSIR is mainly produced by Global North scholars looking at the realities of the North, offering a Western-centric perspective, as if corporate crime could be understood equally wherever it occurs worldwide. Adding insult to injury, the corporate crime Western-centric view of institutions reinforces the privilege of the North, which is portrayed as having superior and more solid institutions than the South, without taking into account the persistent influence of the colonial past over Global South as well as how companies take advantage and reinforce the postcolonial condition. Institutions from the Global North are always used as the norm against which the Global South is compared, quite often in a derogatory manner.

POWER IN THE WRONG HANDS

Research on corporate crime also perceives such crimes as a malfunction and exception to the Western view that the state regulates corporations. However, corporations are extremely powerful actors in society and can shape their environment, undermining the state as an agent that can regulate corporate activities. To do so, corporations may promote legislation that benefits corporate citizens at the expense of citizens; hinder or redirect the creation of agencies to protect the public good from the actions of corporations and the externalities they create; and privatise functions that have historically been performed by local, state and federal governments.

A GRIM PICTURE

If we focus on the relation between states and corporations in the Global South, a different and a far more problematic portrait can emerge. In various cases, harm inflicted by corporations on society generates death. To make sense of this, the concepts of Necrocapitalism and Necropolitics are helpful. Necrocapitalism is a form of capitalism driven by specific economic actors – transnational corporations, for example – where a country's trade and industry are founded on, linked to and dependent directly or indirectly on death and the profits accruing from it. Necropolitics is the use of social and political power to dictate how some people may live and how some must die.

Such views indicate the extent to which corporations can go for their benefit in postcolonial regions of the world.

WAKE-UP CALL

Corporate harm is an issue of paramount importance in the contemporary world, and through their study, Profs. Alcadipani and Medeiros, seek to increase the awareness of corporate and management contradictions that sustain the persistence of corporate harm in our world. And this knowledge will keep instances of injustice and suffering such as Bhopal burning in our minds and enable companies to think twice before they expose us to dangers. Let there be no more 'cities of the living dead'. ///

KEYS TAKEAWAYS

- Corporations perform actions that can inflict harm with different levels of intensity, from death to material loss, to both companies' internal and external stakeholders.

- Research has analysed corporate harm using the notions of corporate social irresponsibility (CSIR) and corporate crime.

- Critical management studies (CMS) have been subjecting management and organisational practices to scrutiny, and corporate harm has been one of the main concerns of CMS.

- CMS views corporations as narrow profit seekers, instruments of domination and exploitation, and suggests that corporations are essentially composed of power struggles, indicating that corporate harm to external and internal stakeholders is the result of the very nature and essence of what corporations are.

- CSR initiatives are seen as a cynical discourse and instruments of power that attempt to hide the essence of what corporations truly do to attempt to legitimise them in society.

- CMS has rarely been deployed to analyse CSIR and corporate crime. As such, the researchers critically analyse the perspectives of CSIR and corporate crimes on corporate harm via CMS in general and postcolonial studies in particular.

- CSIR is perceived as an outcome of old-fashioned and amoral styles of management. And CSR initiatives are believed to prevent the occurrence of CSIR.

- Research on corporate crime has not only addressed controversies around the most appropriate terminology to define corporate crimes but also attempted to define what legally and ethically can and cannot be considered a corporate crime.

- CSIR and corporate crime are ideologies that assist in disguising the contradiction between producing shareholder value and the social good that is at the heart of the modern corporation system.

- The postcolonial view of CSIR and corporate crime highlights how they are based on a Western-centric view of corporate harm that ignores the realities and perspectives of the Global South.

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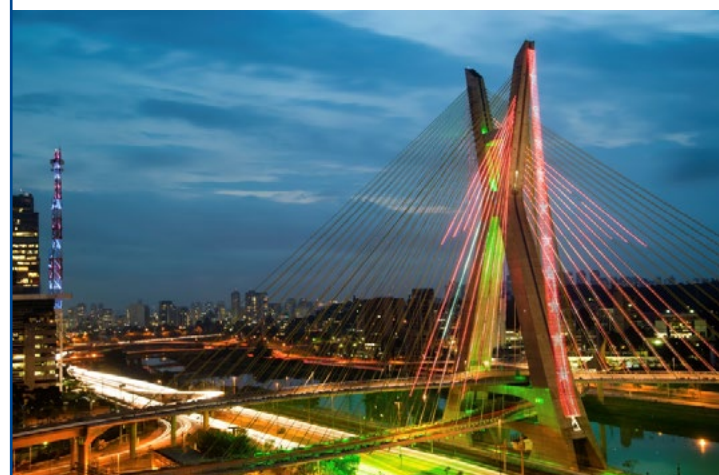
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ES & 'THE FORGOTTEN G': MAKING INTEGRITY STRATEGIC IN GOVERNANCE

Professor **Daniel Malan, Trinity Business School,** draws on his research in over 24 leading companies to propose a blueprint for ethics and integrity to become strategic, holistic and effective tools in corporate governance.

Related research: *The Rise and Role of the Chief Integrity Officer: Leadership imperatives in an ESG-driven world,* World Economic Forum White Paper 2022.

The environmental, social and governance dimensions to business have come to the forefront in recent years – so much so that the acronym ESG has become household with hardly a strategic correspondence going by without mention of it. But for Daniel Malan, Assistant Professor in Business Ethics at Trinity Business School, it is almost a case of 'ES + the forgotten G', governance having been relegated to third and often overlooked place as Environment and Social steal the limelight and garner greater attention and support.

For Malan, this over-focus on ES within corporations may be detrimental to a firm's performance and impact. While putting more emphasis on integrity in the governance dimension to business may not only help deal with the complexities firms face, but also be a powerful source for strategic advantage.

INTEGRITY ON THE RISE

Prof. Malan has researched the issue of governance, ethics and compliance as part of his academic role at Trinity and also as part of his work as a member of the World Economic Forum's Global Future Council on Transparency and Anti-Corruption. In collaboration with co-authors Alison Taylor, Anna Tunkel and Birgit Kurtz this research culminated in an article that was published by MIT Sloan Management Review.

> **Putting more emphasis on integrity in the governance dimension can be a powerful source for strategic advantage.**

Their findings point towards ethics and integrity gaining ground in companies, perhaps the clearest evidence being the recent emergence of the role of Chief Integrity Officer in leading firms. Often, the incumbent sits on the corporate C-suite and has a degree of independence and autonomy. But according to Malan, more is needed to fully make integrity and ethics an inherent part of corporate culture, behaviours, and importantly – a driver of strategy.

Meanwhile, ethical business continues to make its way in corporate circles, with the big names – Pepsi-Co, Vestas, Novartis and Unilever among them – leading the way. Giving it strategic importance makes it easier, internally, for managers and execs to identify instances of potential breach of ethics as well as avoiding hypocrisy. A decision, for example, to make an exception and offer a corporate gift very much above the norm to a 'good and longstanding friend' of the company could turn out to be an ethics & compliance nightmare when it comes to employees' future belief in the function's legitimacy and efficacy.

Malan's research has also revealed an external impact when putting ethics under a strategic light. Investors, for example – increasingly willing to place their money in businesses with solid reputations and beneficial impact for the wider good – are demanding that companies straighten out their commitments to sustainability, as well as rules on lobbying and political spending.

Sometimes, blending integrity into strategic initiatives has both internal and external benefits. Reviewing sales and marketing strategy – especially regarding operations and supply chains in emerging markets where the temptation is higher to cut costs to the detriment of employee working conditions and wellbeing, or taking advantage of loose bribery and corruption legislation – can provide aligned ethical business practices internally, while strengthening external reputation and value for potential investors.

All in all, the research among leaders in over 24 large companies and institutions highlights three ways forward for ethics and integrity to gain momentum and weight: Make it aligned with strategy, make it holistic by breaking down silos and impacting every department in the organisation, and, finally, engage employees on ethics and integrity issues and initiatives.

INTEGRITY MUST FLOW

To open up integrity to an organisation, silos must be broken down. One initial way of achieving this is a change in the Ethics & Compliance role. From being a 'niche' department that others respect, tolerate – or even fear – integrity must flow through several dimensions and impact the operations and decisions of the entire organisation. At Novartis, a pharma and healthcare company, for example, the role has expanded to become Chief Ethics, Risk and Compliance Officer thereby incorporating a key dimension – risk reduction – that cuts across all of the company's operations.

Another trend is that of broadening the collaboration between business, compliance, legal and CSR/sustainability departments within a company. This ensures coverage of matters ranging from CO2 emissions, safety, impact on stakeholders, legislation and human rights by an underlying thread that is integrity. Failure to tackle silos leads, at best, to dealing with individual issues and problems and, at worst, to increased risk of missteps and ethical lapses.

In short, integrity and ethics must be holistic in that they become an integral, inherent part of the firm's operations and strategy, with no part of the whole able to function without an ethical culture underpinning its subsequent actions and behaviours. Unilever, for example, has set up a global business integrity team to manage all aspects of its internal conduct and external actions. And to ensure that decisions and their resulting impact remain ethical and desirable, the team also includes a gamut of stakeholders – other businesses, government, NGOs and civil society – in its actions and problem-solving initiatives.

GETTING PEOPLE INVOLVED

Challenging as it may be, it is essential to onboard all employees – from senior management to front-line – for business integrity to become a core competency and culture in an organisation. Learning from the pioneers is useful.

Novartis, for example, developed its code of ethics via an inclusive, co-creation initiative including input from

thousands of its employees. Setting up a team of behavioral scientists, the company also launched an ethical culture survey among its 108,000 employees, and HR now features ethical dilemmas as part of the recruitment process.

The research also brought to light the Canadian engineering and construction company SNC-Lavalin which has implemented an ecosystem of 150 integrity ambassadors whose job is to increase awareness, offer help and guidance, and promote integrity throughout the company. Training workshops have given way to discussions involving employees, creating an open space where they can raise questions on issues – including ethical challenges – they face on a daily basis rather than uniquely on compliance.

Prof. Malan notes that many of the interviewees in his research put an emphasis on building an ethical culture within their organisations. This makes sense. For culture – the under-the-waterline segment of Edward T. Hall's classic iceberg model – along with values, ultimately drive behaviours.

HOW TO MOVE FROM OVERLOOKED AND TOLERATED TO FOCUSED, HOLISTIC AND USEFUL

Although creating the post of Chief Integrity officer is a first step, this alone will not guarantee a culture of integrity within the organisation. Drawing on the results of the research in over 24 leading companies, Prof. Malan offers a set of recommendations to make ethics and integrity an inherent part of both the firm and employee:

• The first is to endorse integrity as strategic, with an effort to ensure alignment and coordination with the company's business strategy. This increases the effectiveness of integrity tools such as decision-aids, codes of ethics, or internal Q&A forums. Integrity would also gain much in legitimacy if it is reflected in corporate reporting and roles, with back up coming in the guise of task forces to address ESG issues.
• As mentioned previously, Malan's research points to an important factor being the breaking down of silos and cascading integrity throughout the various levels and departments in the organisation. A further way of trickling integrity throughout the matrix would be for compliance teams to work closer with their colleagues in sustainability/ CSR and, as such, obtain an understanding of how the company's stakeholders view its performance on social and environmental issues.
• Culture: being strategic and holistic, integrity can play a dynamic part in shaping behaviours and reducing risk.
• Autonomy and independence are important dimensions if the Chief Integrity Officer is to operate effectively, as well as having a voice in decision-making at board level.
• The Ethics/Integrity team multiply its chances of impact and success if it is composed of members drawn from a diverse set of cultures, skills and professional backgrounds. Skillsets should include data analysis, policy, stakeholder engagement and behavioural science.

Able to work on a wide range of ethical issues – from political spending and lobbying, to human rights, controversial social issues and ensuring the company walks the line of its values and ethical culture – the Chief Integrity Officer and team can prove of invaluable assistance to CEOs and organisations overwhelmed by both the complexities and demands of an increasingly fast-paced environment. Making integrity strategic would also help make corporations remember, not forget, the 'overlooked G' in ESG. ///

KEYS TAKEAWAYS

☐ Integrity and ethics, if fully integrated in the Governance dimension of ESG has the potential to unlock strategic advantage for the company.

☐ Ethics and integrity are gaining ground in companies with the emergence of the role of Chief Integrity Officer. Leading firms are pioneering this role and giving it strategic importance, thus making it easier for managers and execs to identify instances of potential breach of ethics as well as avoiding hypocrisy.

☐ The role also has external impact among investors who are increasingly placing their money in businesses with solid reputations and a beneficial impact for the wider good.

☐ Three factors contribute to the impact of ethics: Make it aligned with strategy, make it holistic by breaking down silos, and, engage employees on ethics and integrity issues and initiatives.

☐ The role of CIO can be expanded to include cross-company stakes such as risk, sustainability, social and stakeholder impact. Alternatively, global integrity teams can be set up across MNCs.

☐ It is essential to onboard all employees – from senior management to front-line – for business integrity to become a core competency and culture in an organisation.

☐ Prof. Malan offers 5 recommendations to make ethics and integrity impactful:

- Endorse integrity as strategic and ensure its alignment and coordination with the company's business strategy;
- break down silos and cascade integrity throughout the various levels and departments in the organisation;
- make it part of the company culture;
- ensure that the Chief Integrity Officer has autonomy, independence and a voice in decision-making at board level;
- compose the ethics and integrity team of people from diverse backgrounds and skills sets, notably data analysis, policy, stakeholder engagement and behavioural science.

RAISING THE BAR: FOREIGN DIRECT INVESTMENT AND HOT LABOUR MARKETS

> **Understanding FDI effects on labour markets may be interesting for both national and regional policymakers.**

In the Big Tech era, knowledge-intensive companies are attracting strong inflows of Foreign Direct Investment (FDI). Their rapid development is combined with the search for the best talent in order to maintain leadership. Professor **Nigel Driffield, Warwick Business School,** explores the implications of this phenomenon in terms of impact on domestic employment and skilled labour earnings.

Related research: *FDI in hot labour markets: The implications of the war for talent,* Bettina Becker, Nigel Driffield, Sandra Lancheros, James H. Love; Journal of International Business Policy (2020) 3, 107–133.

CLUES TO BUSINESS TRIUMPH

Every business strives for success. In the face of intense competition, firms are constantly seeking to gain competitive advantage in the global market. And in order to achieve this, they need high performers: managers with advanced skills in decision-making and strategic planning. However, obtaining that advantage appears to be a stumbling block on the way to market success. Even leading firms report significant skills shortages in key areas – advanced manufacturing, R&D, finance, supply change and many others.

Since the 1990s firms have been increasingly engaged in a global 'war for talent', especially in sectors related to science, technology and innovation, with technology firms seeing the highest value added per head and the highest levels of wage growth from the early 2000s on. These firms in particular hunt for the best graduates from top universities. And when competition is based on innovation rather than price, skilled labour is a crucial element of market success.

Interestingly, technology firms are becoming more concentrated in their geographies. Multinational firms, as well as new startups, are now chasing the same research centers, often attempting to build on existing agglomerations such as Silicon Valley in San Francisco, Medicon Valley in Denmark, or the 'Golden triangle' in the UK. Moreover, innovative industries are concentrated in a limited number of locations. For the regions concerned, this results in a higher competition for labour and, consequently, higher wages.

These days, technological clusters are developing at a fast pace. As such, high-tech firms attract large amounts of FDI – one of the factors that boosts their development. Investors purchase local companies directly or locate business activities abroad through subsidiaries. In developed countries during the 1991-2012 period, foreign investment stock in high-tech industries grew 12% faster than the market average and 81% faster than FDI in manufacturing sectors. This continuous expansion subsequently requires more workforce, and it seems that an increasing number of firms are becoming involved in a global 'war for talent'.

HIDDEN PITFALLS

But what makes Tech so special? For, one, labour market conditions are specific in technology- and research-intensive industries. Already scarce, skilled labour is therefore better paid. Techies are also mobile in nature – willing to travel further in the pursuit of higher income. It comes as no surprise then that the highest-skilled workers are more likely to end up in one of the large technological clusters with a strong inflow of FDI.

For these clusters, what impact does Foreign Direct Investment activity have on wages and employment? Prof. Nigel Driffield and his fellow researchers set out to explore this. Their analysis spans six research-intensive sectors including chemicals, pharmaceuticals, computers, electronics, R&D and other scientific activities in 28 European countries over a 9-year period (2002-2010). For them, Europe is a great research setting, the EU members plus Norway constituting the 2nd largest single market in the world, with free movement of labour and free trade. At the same time, substantial differences are present at both national and regional levels, among them the availability of high-skilled workers, innovation capacity and the amount of attracted FDI.

As a general rule, the effect of FDI is usually regarded as positive – thanks to the inflow of cash from abroad, local companies benefit from transfer of technology and expertise. However, it is not so straightforward as it might seem, because intra-firm technology transfer may also generate a productivity gap between foreign and local firms. And in this case, local firms will struggle to prevent their workers from leaving for a better-paid foreign firm, subsequently having to offer higher wages or reduce their workforce. The stats show that an increase in FDI in high-tech sectors was accompanied by an annual 5% rise in domestic wages during 2002-2010 and that over the same period domestic employment grew only by 1.1% per annum – a glaring example of how foreign activity can actually squeeze skilled labour out of the domestic market.

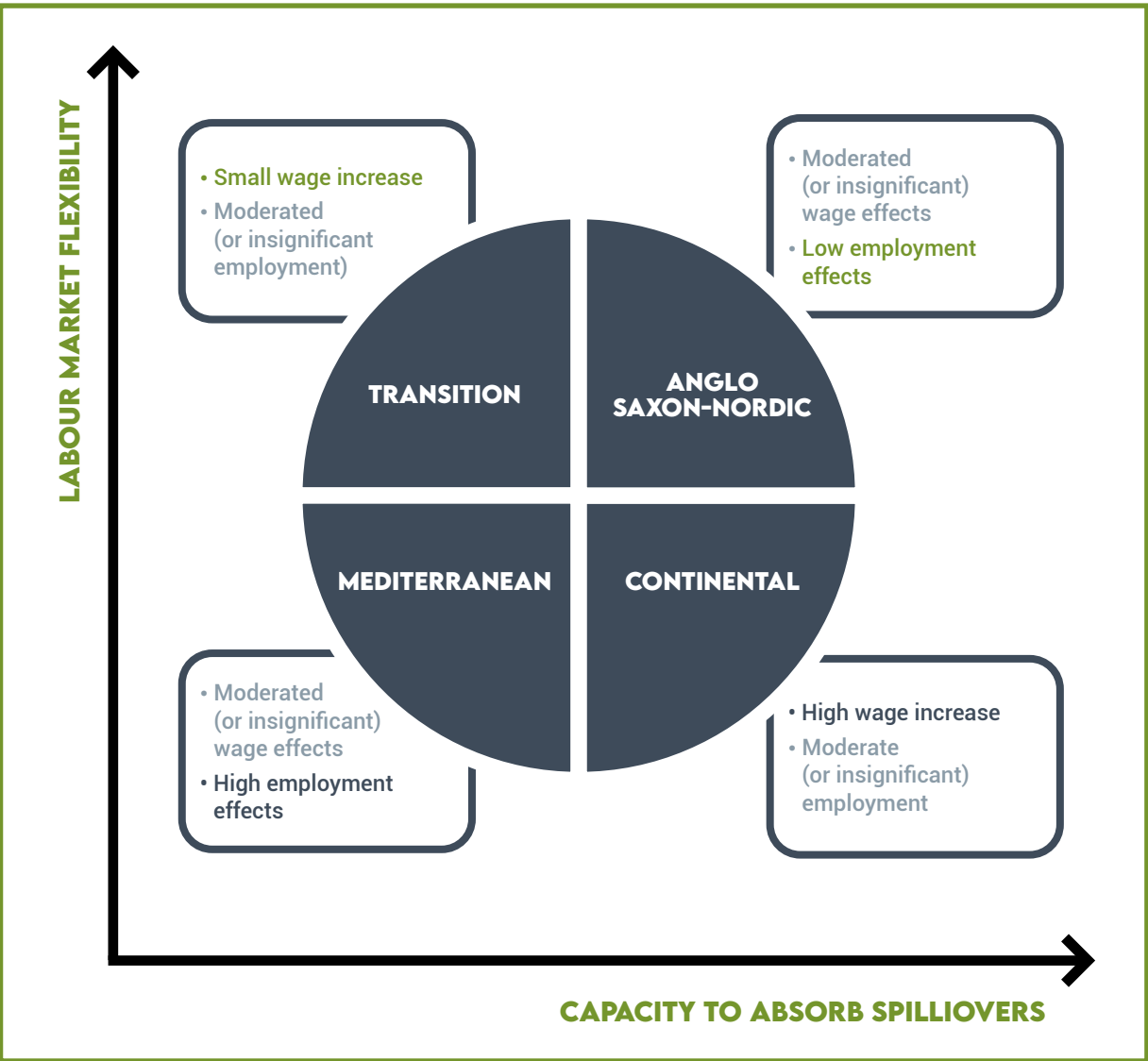## THE IMPACT OF FOREIGN DIRECT INVESTMENT ON THE LABOUR MARKET

Does it mean that foreign investors are no longer welcome? Of course not. FDI can generate huge positive effects on local economies, not least – as formerly mentioned – the transfer of technology and expertise that provides enormous benefits for the local companies. Moreover, if a firm has a strong market position, high profitability and can positively manage a spillover effect, it can also absorb wage increases at almost no cost. In this case, FDI inflow eventually has a positive impact on profits.

So, what could help maximize benefits associated with FDI while offsetting their detrimental effects on local firms? According to Driffield et al, the key factors are labour market flexibility – how quickly firms can respond to changes – and the capacity to absorb spillovers – or how significant the firm's potential for the productivity growth is. These two factors depend heavily on a number of internal criteria, including size of business and profitability. There is also an important external factor: the host country's level of development. This plays a crucial role in moderating the ability of local firms to embrace foreign technology.

All of these factors determine whether a 'crowding out' or a technology effect dominates – that is, whether domestic firms lose or gain from the presence of FDI. More developed economies tend to better withstand demand shocks, and have higher labour market and wage flexibility. On the contrary, less developed economies tend to be less resistant to the adverse effects of FDI, with lower flexibility and fewer capacities to quickly reallocate resources in response to required changes.

IT'S ALL IN A MODEL

In determining the level of flexibility of a labour market in a given region, it is necessary to consider the role of market institutions. They can help draw a line between more liberal market economies and coordinated market economies. Prof. Driffield and his colleagues distinguish four distinct groups: Nordic/Anglo Saxon, Continental, Mediterranean and Transition economies. Mediterranean countries have higher levels of labour market protection and segmentation. The Nordic model is characterized by high levels of social protection and welfare provision. In the Anglo-Saxon model, unions are weak and wages have a bigger dispersion. And in continental countries such as Belgium, Germany and France, there are stronger unions, and relatively higher levels of labour market segmentation. The graph below illustrates how each of these groups of countries differ in their flexibility and spillover absorb potential.

LABOUR MARKET FLEXIBILITY

- Small wage increase
- Moderated (or insignificant employment)

TRANSITION

- Moderated (or insignificant) wage effects
- Low employment effects

ANGLO SAXON-NORDIC

- Moderated (or insignificant) wage effects
- High employment effects

MEDITERRANEAN

- High wage increase
- Moderate (or insignificant) employment

CONTINENTAL

CAPACITY TO ABSORB SPILLIOVERS

In general, liberal market economies have higher levels of labour market flexibility. Anglo Saxon/Nordic countries have both the highest market flexibility and capacity to absorb spillovers, with their firms more likely to benefit from FDI without experiencing negative consequences on domestic wages and employment. On the other side of the scale there are the Mediterranean economies – more exposed to negative spillover effects. In those regions, foreign activity is more likely to push wages upwards and crowd out domestic employment.

ROADMAP FOR POLICYMAKERS

Understanding FDI effects on labour markets may be interesting for both national and regional policymakers. It can help them understand how to make the most of incoming FDI – and at the same time how to protect local firms from adverse spillover effects.

Prof. Driffield and his colleagues point to the need to first and foremost understand what kind of market you are dealing with. If the market is more rigid – as in the cases of Transition or Mediterranean economies – governments should think about how to improve flexibility. This suggests, for example, putting emphasis on education and training as well as supporting small local firms.

National policies that promote domestic R&D investment and innovation strategies are also helpful in turning foreign activity to one's own advantage, contends Prof. Driffield. After all, R&D and innovation enhance local firms' productivity and capacity to exploit spillovers. At the same time, higher domestic R&D and innovation are likely to raise the attractiveness of a region for foreign investors. Tax credits, direct subsidies, collaborations between universities and firms all increase the available pool of high-skilled labour and support regional development.

The global 'war for talent' puts upward pressure on the earnings of that talent. And regions with a strong FDI inflow will not be immune to these increasing wage costs. The ultimate goal of policymakers is not to prevent foreign investors from pouring their money into local economies, but to augment the positive effects of such activities. The potential is in fact huge, and for many economies across the globe is yet to be discovered. ///

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KEYS TAKEAWAYS

- Since the 1990s, firms have been increasingly engaged in a global 'war for talent', especially in knowledge- and research-intensive industries. In these sectors competition is based on innovation rather than price. High-skilled workforce is a key competitive advantage that paves the way to success.

- Knowledge-intensive industries are becoming concentrated in a limited number of locations, creating competition for skilled labour and exerting an upward pressure on the wages of high-skilled workers. These locations attract large amounts of foreign direct investment, which boost their development but also increase competition for skilled labour between foreign and domestic firms.

- FDI can generate both positive and negative effects on local firms. On the one hand, local firms largely benefit from technology and expertise transfer. On the other hand, local firms may suffer from increased labour costs, with foreign competitors luring their workforce. This might lead to the 'crowding out' of domestic employment in the regions concerned.

- Labour market flexibility and capacity to absorb spillovers are the two factors that determine the potential of domestic firms to benefit from FDI. The higher the flexibility, the better firms react to demand shocks. In highly flexible markets, such as Anglo-Saxon, Nordic and Continental economies, firms can quickly readapt resources and manage spillovers in the best possible way. Therefore, they are more likely to benefit from FDI than less flexible markets, such as Transition and Mediterranean economies.

- Understanding labour market effects of FDI is important for national and regional policymakers. They should develop supportive measures to maximize positive effects and to protect local firms in the regions with lower labour market flexibility.

NARRATIVE REVIEWS:
A POWERFUL TOOL FOR BUSINESSES

Is there an ideal type of customer review? Professor **Tuck Siong Chung, ESSEC Asia-Pacific,** and his fellow researchers explain why narrative reviews containing the product/service experience and emotional journey, are better at improving sales than just technical differentiators and stats.

Related research: *Impact of Review Narrativity on Sales in a Competitive Environment,* Tuck Siong Chung, Essec Business School, Soumya Mukhopadhyay, Indian Institute of Management; V Kumar, Tobin College of Business, St. John's University; Amalesh Sharma, Mays Business School, Texas A&M University. Productions and Operations Management, Wiley.

> " Against the backdrop of intense competition among brands in the same market, the consumer decision-making process becomes more complex.

Try being conscious of the fact next time you stand in front of a shopping mall store shelf. Books, music, food, mobile phones – the choice of models and competing brands is mind-boggling. And in some cases it can leave us in a mild state of confused shock that shelves our very decisions among the frippery of products on sale. In our current world, customers face the problem of over-choice in almost every industry. Consumers can be confused with the myriad options presented to them. And in such a scenario, user-generated reviews act as a more trustworthy source of information about the company than its glossy – and costly – advertising and marketing efforts.

With such a potentially important role, businesses would be wise to benefit from understanding how to extract the maximum value from these customer reviews. As such, research from Prof. Tuck Siong Chung at ESSEC and his fellow researchers Mukhopadhyay, Kumar, and Sharma, explores how the narrativity of reviews plays a crucial role in convincing potential customers to become what the brands yearn for – repeat customers.

POWER OF NARRATIVITY

How are narrative reviews different from non-narrative ones? The answer – they are different, and special, in the way that they resemble stories. Moreover, they are structured descriptions that explain the meaning of the events taking place around the narrator, with the narrator – the hero – being at the centre of the action.

Evolutionarily, one of the differentiating features of *Homo Sapiens* from our close sentient relatives is the ability to create and tell stories and myths. Indeed, from childhood humans are accustomed to learning through stories. And as such, a review presented with a narrative, storytelling style involving plenty of details about the product – and, more importantly, the emotional change the narrator goes through while using the product – is much more appealing than a numerical rating. Numbers appeal to the head and our logic – but stories also reach out to the heart as well as head and guts, naturally making narrative that much more powerful a convincer if used correctly.

But why do people trust organic reviews from strangers rather than a company's promises? Most probably because firms want to sell you something but the stranger does not. These reviewers simply wish to spread the word about a good product and, in the end, this earns extra trust points. For the researchers and their findings, there is a clear relationship between narrative reviews and sales: more narrative reviews, more sales.

EXTREME REVIEWS, EXTREME EFFECTS

Prof. Tuck Siong Chung and his colleagues also emphasize that not all user-generated narrative reviews are the same and not all positive reviews have the same impact on sales. Turns out that the level of narrativity in reviews is critical in impacting sales. There are costs to consumers when they collect and integrate review information to make product consumption choices. Thus, narrative reviews positively impact sales only if the level of narrativity, which influenced their informational value, is above these costs.

The emotional tone of the reviews – either positive or negative – invokes a corresponding attitude toward the reviewed product or service. As such, these two review factors should work in tandem for the reviews to be effective: the level of narrativity and the extent of the emotional tone, either positive or negative.

Extremes always have a strong effect on sales. A very positively narrated review will have a significant positive impact on the sales and, likewise, a very negatively narrated review will have a significant negative impact on the sales. However, this impact decreases drastically when the level of narrativity is moderate.

RAVE REVIEWS SET YOU APART

As mentioned, the average consumer today often faces a tsunami of product choice. And with technology accessible to all, it is becoming increasingly difficult for businesses to show differentiation in their products. This forces businesses to focus on other areas such as customer service and public trust to attract new customers.

Against the backdrop of intense competition among brands in the same market, the consumer decision-making process becomes more complex. In the case of services which consist of a large experiential component, the choice between one product over another is often unclear based on objective product attributes. In such cases, a key differentiating factor is the organic customer review. Combining that with a narrative experience, businesses can claim to have a sustainable competitive advantage.

NOT ALL ROSES: COUNTING THE COST

It might therefore seem that narrative reviews are a boon for the consumers and businesses alike. But just as over-choice brings complexity to the decision-making process of the consumers, narrative reviews also bring in a degree of complexity for them. The question of cost to the reader-consumer comes into play – two of the main costs associated with narrative reviews being information acquisition and integration.

Well-developed narratives generally require more words and hence consume more time for the reader – this is the *cost of acquisition*. On the other hand, the *cost of integration* refers to the time the consumer spends integrating the reviews from multiple sources, since every narrative review is specific to the narrator.

But there are also additional, broader costs associated with narrative reviews. The culture of influencing people with narrative reviews, especially on social media, for example, is rapidly becoming a double-edged sword. For while it is an effective way, young people consider it a serious full-time profession which creates the risk of viewers losing their critical thinking by idolizing such influencers.

WHERE THERE'S A WORD, THERE'S A WAY

Businesses would be wise to exploit the power and potential of organic narrative reviews. For instance, brands can use stories and myths to enhance their product sales and

performance. Indeed, using a brand story to popularize a brand or product has been a long-standing tradition in the luxury industry.

Both businesses and managers can also incentivize their customers to narrate their experiences to their friends and family and also to their online network. As such, incentivisation acts as an authentic feedback source on their products and a sign of trust for potential customers to make their decisions to buy.

Firms can moreover try to identify reviewers able to tell a good story about their favourite brands. Currently a hot topic among the marketing bods, we can see the emergence of influencers ranging from micro to nano influencers. Such people can target specific groups and create the tipping point for a firm's products.

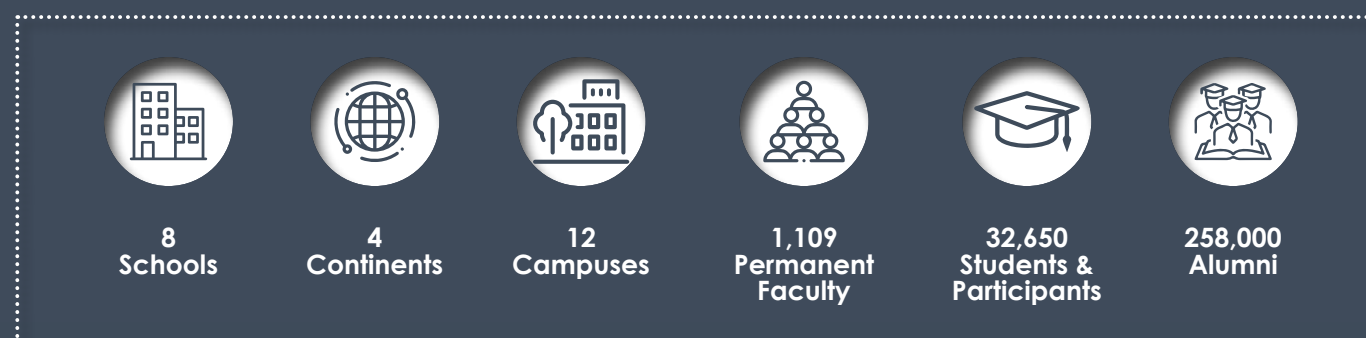## TOO MUCH DEMAND CAN LEAD TO ARTIFICIAL FLAVOURING

Even with costs associated with narrative reviews, the benefits substantially outweigh them. However, not every narrative review will work in a brand's favour. The benefit to the consumers for spending the efforts to read and process the narrative review should be high enough and more importantly, it should be organic.

As firms realise the importance of such reviews, there is the growing problem of producing them and paying the influencers – popular people with a narrative ability – to post artificial content. Since businesses compete fiercely to gain the trust of their potential customers through narrative, increasing numbers of youngsters are considering social media influence as a serious and primary profession. At the end of the day, reviews are like the food we consume: organic is always better than artificial and processed. ///

KEYS TAKEAWAYS

☐ User-generated reviews act as a trustworthy source of information about the company than the advertising and marketing efforts by the company.

☐ Narrative reviews are structured descriptions that explain the meaning of the events taking place around the narrator.

☐ The researchers have indirectly reinforced that notion by establishing a clear relationship between narrative reviews and sales: narrative reviews significantly affect sales.

☐ A very positively narrated review will have a significant positive impact on the sales and likewise, a very negatively narrated review will have a significant negative impact on the sales.

☐ When the extent of competition goes up, organic customer reviews combined with a narrative experience offer businesses a sustainable competitive advantage.

☐ Just like over choice brings complexity to the decision-making process of the consumers, narrative reviews also bring in a degree of complexity for the consumers.

☐ Brands can use stories and myths to enhance the sales and performance of their products.

☐ Firms should realize that not every narrative review will work in their favor. The narrative level should be higher than the cost of acquiring and integration the information gained and more importantly, it should be organic.

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GLOBAL SOCIAL ENTREPRENEURSHIP: AN OPPORTUNITY FOR TODAY'S WORLD IN CRISIS

Professors **Concepción Galdón, IE Center for Social Innovation and Sustainability** at **IE University,** and **Sheila M. Cannon, Trinity Centre for Social Innovation, Trinity Business School, Trinity College Dublin,** explore how the creativity and innovation inherent in social enterprise can be used to help solve a world in crisis.

The idea of bringing in the best possible tools to solve the most pressing problems is as ancient as humanity. However, at some point, we started drifting apart from that very reasonable intuition to "box" tools in specific sectors: Financial planning belongs to the private sector; tracking impact belongs to the third; and delivering services belongs to the public sector. With some paradigmatic exceptions, most of us fell in that trap and many remain in it. Not social entrepreneurs.

Social Entrepreneurship is a field that has been practicing and generating frameworks to continue to bring the best possible tools, regardless of the sector that created them, to solve the most pressing problems.

The seeds of social enterprise originated in different ways across the globe simultaneously: in Europe with cooperatives and then work integration schemes; in Bangladesh in the 1970s with microfinance; in Africa with ubundu and afrocapitalism; in Latin America with renowned examples of social entrepreneurship, such as digital social currency; in the United States with innovative individuals in the 1980s. With a long trajectory to back it up, social entrepreneurship has never been more relevant for the world than it is today.

> **Social enterprise is particularly useful and timely today because it cuts across left-right politics.**

THE CURRENT STATE OF AFFAIRS

At this point in history, faced with the triple whammy of global pandemic, climate crisis and the risk of food and energy scarcity due to the conflict in Ukraine, humankind has no choice but become more creative, innovative, and collaborative in how we organise ourselves. In terms of impact on the natural environment, business-as-usual was already broken. And then, with one third of the globe's population in some form of lockdown at the height of the pandemic, business ground almost to a halt. Amidst the calls to get the economy back up and running, there are also calls to rebuild differently – greener and with greater equality for all. While the pandemic and other crises are dreadful, they also bring opportunity for change.

We invite you to consider the importance of accelerating change towards Capitalism 4.0, creating societies and economies capable of solving problems for everyone, at scale. This requires reframing the roles and relationships of all actors in society, including companies, public administrations, NGOs and civil society. In reinventing ourselves and how we relate to each other, we need to consider how to adapt this new model to each context. Social entrepreneurship has already proven to be relevant across the globe and capable of adapting to the needs of each region.

HOW TO RESPONSE TO GLOBAL CRISES

Not only has social entrepreneurship proven capable of adapting geographically, but it has also taken various forms that have made it all the more relevant. Social enterprise is particularly useful and timely today because it cuts across left-right politics. Following the Cold War, the idea and practice of free-markets swept across the globe as the winning ideology of the time. This is evident in the trend of the nonprofit and public sectors becoming more business-like – part of the social enterprise story.

Since then, there have been growing calls for businesses to become more social. And the concept of social business and corporate sustainability emerged as another strand of the social enterprise story. The solidarity economy moves us beyond the dichotomy of left-right politics that holds so much conflict and division and creates a space where we can rebuild together using the best possible tools, irrespective of where they come from. As we strive to build a world in which we would rather live during the most challenging crises our generation has ever experienced, let us take advantage of so much that the field of social entrepreneurship has to offer. ///

KEYS TAKEAWAYS

☐ Social Entrepreneurship is a field that has been practicing and generating frameworks to continue to bring the best possible tools, regardless of the sector that created them, to solve the most pressing problems.

☐ Social enterprise and innovation can help in accelerating change towards Capitalism 4.0: This requires reframing the roles and relationships of all actors in society, including companies, public administrations, NGOs and civil society.

☐ The concepts of social business and corporate sustainability have emerged as another strand of the social enterprise story.

☐ Social enterprise is particularly useful and timely today because it cuts across left-right politics. Nonprofit and public sectors are becoming more business-like.

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THE NEW UN DECADE ON ECOSYSTEM RESTORATION: A CHANCE FOR BUSINESSES TO TAKE SUSTAINABILITY ACTION

The United Nations is placing the current decade under the motto of restoring ecosystems. The topic was also in focus at the 2021 World Climate Conference in Glasgow. **Tina Teucher,** sustainable matchmaker, moderator, and guest expert at **Ksapa,** explores the background and the strategy of the new UN Decade and what it means for the business world as an important trend and opportunity.

> " **The global task of ecosystem restoration will be a multi-billion project. Those already working on biodiversity, nature conservation or reforestation will have the chance to position themselves as competent partners.**

There are a lot of benefits connected to ecosystem restoration – not only ecologically, but socially and economically as well: It has a strong potential for reaching the global goals, and making regions and even refugees more resilient. It contributes to all 17 Sustainable Development Goals, like no hunger by providing nutritious food, reducing climate change, strengthening biodiversity and building peace. Furthermore, scientific evidence shows that, by 2030, the restoration of degraded ecosystems could generate an additional value of 9 trillion US-Dollars in ecosystem services and remove 13 to 26 gigatons of CO_2e equivalent from the atmosphere. Consequently, the global benefits obtained from ecosystem regeneration exceed the cost of the initial investment tenfold.

THE CHALLENGE: DEGRADATION OF LAND AND MARINE ECOSYSTEMS

Less than a quarter of the earth's land surface is free of human impact. The destruction of ecosystems emerges through the expansion of cropland and grazing land, unsustainable agricultural and forestry practices, climate change, depletion of fish stocks, urban sprawl, infrastructure development, and extractive industries. These causes mainly arise from high consumption in industrialized economies and rising consumption in developing and emerging countries.

Degradation of land and marine ecosystems leads to mass extinction of species and therefore a severe decline in biodiversity, reduces resilience to climate change, increases natural disasters, causes problems for agriculture in growing food, and costs more than 10% of annual global gross domestic product (about $6.3 trillion) due to loss of species and ecosystem functions. Furthermore, the destruction of ecosystems is a reason for mass migration. For instance, 46% of African land is degraded, threatening the livelihoods of almost two-thirds of African population. Because of the resulting drought and food shortage millions are expected to migrate from degraded parts of Africa in the next two decades.

THE UN DECADE ON ECOSYSTEM RESTORATION

With the UN Decade on Ecosystem Restoration, the United Nations has framed the current decade around the topic of ecosystem restoration. The UN Decade runs from 2021 to 2030, which is also the deadline for the Sustainable Development Goals (SDGs) and, additionally, the timeframe that scientists have identified as the last chance to prevent catastrophic climate change. The UN Decade on Ecosystem Restoration is therefore a call to protect and rebuild ecosystems around the world, for the benefit of both people and nature.

Timely action to prevent and reduce degradation and measures to renaturalize ecosystems can increase food security, make a significant contribution to climate change adaptation and mitigation, and help prevent social conflict and climate-induced mass migration.

HOW DOES BIODIVERSITY CONTRIBUTE TO CLIMATE CHANGE MITIGATION?

Restoring land ecosystems that increase carbon storage and minimize greenhouse gas emissions in forests, wetlands, grasslands, and croplands worldwide could provide more than one-third of the most cost-effective mitigation actions needed by 2030 to limit global warming to below 2°C. This would remove 13 to 26 gigatons of CO2 from the atmosphere by 2030. Healthy ecosystems are able to soak up about 50% of the emitted greenhouse gases. However, their absorption capacities are declining because humans are overloading and destroying them.

THE ECONOMIC VALUE OF ECOSYSTEM RESTORATION

Not only is there ecological value in renaturation, there is also great economic potential: By 2030, restoring degraded ecosystems can create an additional value of 9 trillion USD. The benefits achieved through ecosystem restoration exceed the cost of the initial investment by an average of ten times, while the cost of not acting is at least three times higher than the cost for ecosystem restoration.

Ecosystem restoration also contributes substantially to achieving the 17 Global Sustainable Development Goals, the Aichi Biodiversity Targets, and the Climate Target of the Paris Agreement.

HOW CAN WE RESTORE SYSTEMICALLY?

Institutional and policy responses to the problem are often reactive, not holistic, and do not address the underlying causes of degradation. The goal, therefore, must be to create awareness in the broader society and policy space and to transform degraded areas into diverse, productive landscapes. After all, only with intact ecosystems can the decline in biodiversity be halted, climate change counteracted and people's livelihoods improved.

In this new decade, it is particularly important to think of sustainability in a holistic way. Nature conservation and protection must no longer be thought of in purely ecological terms, but must be linked to social and economic benefits. After all, in addition to promoting biodiversity and improving living conditions, ecosystem restoration makes additional contributions to food security, energy supply, climate protection, urban heat reduction, community development and many other social, economic and environmental challenges of the 21st century.

Globally and nationally, we do not restore systemically. Nevertheless, we need common strategies to keep certain areas clear of destruction. Marshes, for example, are of outstanding importance from a climate protection perspective. Worldwide, they make for only three percent of land area, but absorb about 30 percent of emissions on land. Renaturation also includes reforestation programs. Within reforestation, the holistic approach would not be to create monocultures, but mixed forests instead.

THE 4 RETURNS MODEL: A FRAMEWORK FOR HOLISTIC RESTORATION

Commonland, an organization deeply involved in ecosystem restoration, created the 4 Returns model, a holistic and practice-oriented framework that serves as a common guideline for global ecosystem restoration. Developed in tight collaboration with science, educational institutions, agriculture, and experts, "4 Returns" restores degraded ecosystems by focusing on four key returns over the course

of a generation (20 years – the minimum period required to restore an ecosystem's ecological foundations):

- **Inspiration**: giving people hope and a sense of purpose.
- **Social capital**: restoring education, jobs, economic prosperity, and security.
- **Natural capital:** restoring biodiversity, water quality, soil, and capturing carbon.
- **Financial capital:** achieving long-term economic returns.

Image: 20 years is the required minimum time for ecosystems to be restored properly, according to the 4 Returns framework (Source: Commonland. 2021. The 4 Returns Framework For Landscape Restoration, p. 6).

Under the 4 Returns model, committed people invest in restoring and maintaining ecosystems and get back reduced carbon emissions, healthy soils, clean water, increased biodiversity, and economic benefits through improved possibilities for forestry, hunting, and tourism.

INNOVATIVE SOLUTIONS AND INITIATIVES ALREADY EXIST

As in many areas of sustainable development action, many innovative solutions already exist in the field of ecosystem restoration and are being implemented by pioneers around the world.

The Ecosystem Restoration Camps see themselves as a global movement of people who work together to repair or heal destroyed ecosystems. There are currently 43 such camps around the world, with nearly 15,000 international helpers involved to date. Projects range from the application of agroforestry practices in Europe to the re-vegetation of the desert in Egypt. The goal of Ecosystem Restoration Camps is to have one million people involved in restoring degraded ecosystems in 100 camps by 2030.

TRANSFORMING REFUGEE CAMPS THROUGH RENATURATION

Even with the issue of refugees, which one might not initially associate with ecosystem restoration, it can mean multiple benefits for residents, host countries, and local biodiversity. Following the consequences of climate change, more and more people will likely be affected and will be confronted with forced displacement as a result. Finding shelter in refugee camps will be their only option. However, their stay is often longer than anticipated and so they find themselves stuck in a permanent form of temporariness in often harsh environments. But what happens if we combine the efforts of ecosystem restoration with humanitarian aid and development, empowering refugees with the tools and the knowledge to build a better life? What if refugee camps were transformed into green oases through renaturation?

To foster collaboration between different local refugee projects and other stakeholders in order to promote the transformation of refugee camps into regenerative camps,

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the author started the Generation Restoration initiative. Ecosystem Restoration not only improves food security of refugee camps, self-sufficiency and the skills of refugees and thus their job opportunities through the great learning and training effect. It also strengthens their hope of being able to actively shape their own future – back in their own country or in a destination country – instead of falling into new spirals of dependency. This self-empowerment is one of the most important formative emotions that Ecosystem Restoration can trigger – not just for refugees.

THE MIYAWAKI METHOD: A SUSTAINABLE APPROACH TO FORESTRY

Another innovative initiative is SUGi, where anyone can contribute to the restoration of forests on land and aquatic forests by making a donation of as little as 5 Dollars. SUGi Forest Makers and Ocean Gardeners use these funds to restore biodiversity and regenerate ecosystems worldwide.

Many organizations plant only non-native tree species in monocultures in remote locations. These projects have minimal positive impact and are often not transparent about their growth and long-term effects on the environment. Contrary, SUGi's global network of forest farmers creates dense and biodiverse forests of native species using the Japanese Miyawaki Method: these forests are 100% natural, 30 times denser and 100 times more biodiverse than conventional woodlands. They also grow much faster, binding a lot of CO2 and cleaning the air from harmful pollutants – which is important, as 4.2 million people worldwide

die from air pollution every year. Especially in cities, the Miyawaki Method is ideal because it requires little space and counteracts the severe air pollution, which is especially noticeable in urban areas.

The organization Justdiggit is specifically working to regreen degraded land in Africa to counteract global warming. With local communities and partners, they collect rainwater, plant trees and create grass seedbeds, for example. Justdiggit does one thing particularly well: They are all about a strong communications approach to raise awareness of nature-based solutions around the world, closely cooperating with partners like Google, the IKEA Foundation, and National Geographic, as well as well-known advertising ambassadors and relying on striking advertising campaigns.

WHAT ACTIONS DO BUSINESSES NEED TO TAKE?

Achieving the goals of the new UN Decade will require more than just policymakers, NGOs and committed individuals. Additionally, it needs companies to pursue the goals of the Decade in their sustainability strategies. The political focus on restoring ecosystems means a great responsibility for conventional businesses, but also offers great opportunities.

One example of a company's successful involvement in ecosystem restoration is the German enterprise Reckhaus. Transforming Executive Director Dr. Hans-Dietrich Reckhaus launched the Insect Respect initiative, transforming his company's business model from a manufacturer of chemical biocides to a provider of ecological services. Coming from a tradition of over 60 years of biocide production, Reckhaus is now focusing on a new way to make money: By unsealing and greening surfaces, the company is creating insect-friendly habitats on roofs and corporate areas.

Seeing changes of thinking even in such a conventional industry, transformation becomes possible in every sector. The global task of ecosystem restoration will be a multi-billion project. Companies and politicians will have to invest a lot of money in the restoration of ecosystems. Those already working on issues such as biodiversity, nature conservation or reforestation will have the chance to position themselves as competent cooperation partners and to show what they have researched and achieved.

ACTION IS NOW

A whole generation is keen to build their future in a positive way. Pioneers are gathering good ideas, encouraging examples and organizing exchanges of experience in the framework of the new UN Decade on Ecosystem Restoration. The momentum is here, the motivation is here, and the people with the right knowledge and experience are here. The time to take action is now: Participate in the UN Decade and become a part of the Generation Restoration! ///

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KEYS TAKEAWAYS

- ☐ Ecosystem restoration brings benefits: ecologically, socially and economically. It has strong potential for reaching the global goals, and making regions and even refugees more resilient. It contributes to all 17 Sustainable Development Goals.

- ☐ By 2030, the restoration of degraded ecosystems could generate an additional value of 9 trillion US-Dollars in ecosystem services and remove 13 to 26 gigatons of CO2e equivalent from the atmosphere.

- ☐ The causes behind ecosystem degradation mainly arise from high consumption in industrialized economies and rising consumption in developing and emerging countries.

- ☐ Institutional and policy responses to the problem are often reactive, not holistic. They do not address the underlying causes of degradation.

- ☐ Awareness must be created in the broader society and policy space and to transform degraded areas into diverse, productive landscapes.

- ☐ Tools exist that can help restore ecosystems, such as Commonland's 4 Returns model, and the Japanese Miyawaki Method.

- ☐ Achieving the goals of the new UN Decade will require not only policymakers, NGOs and committed individuals, but also companies to pursue the goals of the Decade in their sustainability strategies.

- ☐ The political focus on restoring ecosystems means a great responsibility for conventional businesses, but also offers great opportunities.

TECHNOLOGY IN SOCIAL CONNECTIONS: GOOD SERVANT, BAD MASTER

One of the fundamental needs of humans, as social animals, is the need to have social connections and interactions with fellow humans. Communication and information technology has certainly made this process easier but what happens when they become a substitute instead of a catalyst? Professor **Jan Ondrus, ESSEC Asia Pacific,** studies the impact of information and communication technology on social reclusiveness.

> **While creating a boundaryless digital world, we have placed more and more people inside an imagined physical boundary.**

HEAVEN OR HELL

Imagine a man going to sleep in the year 1600 and waking up in the year 1800. He would find the world to be different, but he could well adapt to it quite easily. Now imagine the same person going to sleep in the year 1800 and waking up today. He would most probably imagine that he had woken up in heaven – or perhaps hell.

In the past 200 years, there have been tremendous advancements in science. We discovered atoms, we broke down atoms to discover protons and electrons, and now we are at a point where we are breaking down electrons to realize that they are a great source of energy.

For the common man, no branch of science has helped him more than Information and Communication Technologies (ICTs). However, just like fire, technology is a good servant but a bad master. Moreover, researchers have demonstrated the negative effects of technostress, the pervasive, and near-continual use of organizational IT systems on people's health concretely.

With irrefutable and inevitable influence on the human population, ICT requires a deeper understanding in various settings. Unfortunately, however, the study of ICT has often been restricted to narrow settings of organizations and safe environments. And although conclusions have invariably recommended controlling the pervasive use of ICT in organizations, it is imperative to study its effects on a societal level.

A MODERN-DAY PARADOX

Our modern-day paradox is that in an increasingly connected world, people are becoming increasingly disconnected. While people are connected to other people living thousands of miles away in a different part of the world, they are frequently disconnected from the person sitting next to them – and to reality.

An extension of the paradox could be framed as a question: Is this a victory for information and communication technology or a failure for humans as a society? For the impact of ICT has been so strong that there have been behavioral changes across generations, from grandparents to grandchildren.

Technology, as opposed to facilitating human interactions and sharing, has replaced them entirely. Social communications have considerably shifted from direct to indirect contacts

such as personal computers and mobile phones. New types of psychiatric or behavioral disorders, such as Internet addiction, have emerged as a direct consequence of ICTs.

HIKIKOMORI

Hikikomori in Japan is an emerging psychiatric diagnosis and characterizes those afflicted as people who have not left their homes or interacted with others for at least six months. The Japanese Health, Labor, and Welfare Ministry estimates that 1.55 million people are on the verge of becoming Hikikomori.

There is strong evidence about the correlation between the use of ICT and the occurrence of Hikikomori, at least in Japan. This increasingly pervasive social withdrawal phenomenon negatively impacts not only the affected individual's mental health but also population-level education and workforce issues.

Other than having a specific name for the phenomenon, this is not a problem localized to Japan. Solid media sources including the BBC, The New York Times, National Geographic, and GQ suggest it is the isolating role of technology which contributes to the rise in the number of people across the world experiencing similar reclusive Hikikomori conditions.

It might not be unimaginable to conceive this as a worldwide problem. While creating a boundaryless digital world, we have placed more and more people inside an imagined physical boundary. And as we are still overcoming the Covid pandemic, we might not be far from the next one – which can very well be psychological.

FIGHTING FIRE WITH FIRE

Extending on the paradoxical nature of ICT, it is interesting to note that the solution to the problems caused by ICT can indeed be solved by the proper use of ICT itself. As the saying goes, we must fight fire with fire.
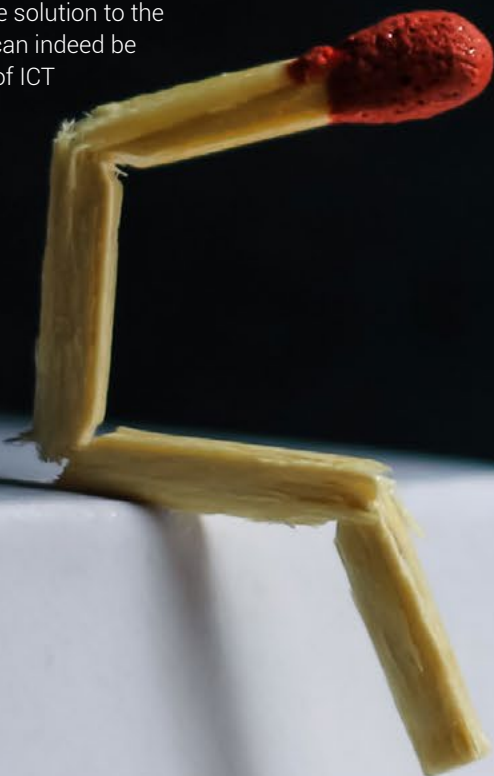
According to a leading Hikikomori researcher, one of the main problems associated with social reclusiveness is that diagnostic criteria have not only failed to keep up with the speed of social change but more importantly they may be unable to do so.

IT can serve as a conduit for knowledge of the phenomenon and dispense relevant mental health information, which can be expected to contribute to an emergent and interdependent network of organizations providing therapeutic strategies and services for Hikikomori and families.

There is also an organizational problem with the need for various intermediaries to define and evolve their own roles to benefit the socially reclusive community and related stakeholders. In this regard, ICT can aid in identifying complementary organizations and specific configurations associated with the rehabilitation of the socially reclusive.

Finally, ICT – through different means such as social media and games – can alleviate the effects of social reclusiveness and encourage those people to gain a sense of belonging in society. Games such as Pokemon GO which requires people to venture out into the exterior environment in order to progress have been credited with helping socially reclusive people to a great extent.

ENDING OF THE PANDEMIC(S), OR BEGINNING?

It is a saddening fact that sometimes young people in our society think that it normal to lead a socially reclusive life. In these times of rapid digital transformation, it may be difficult to distinguish between what is normal and what represents the start of a wide range of disorders, including depression, Internet addiction, or Hikikomori.

The COVID-19 pandemic, along with its various other complications, has increased our dependence on technology to connect and share. And with some experts predicting that there might be more pandemics in the future, we must make a conscious effort to limit the usage of technologies and rather forge strong and physical social connections.

Recognition of mental health as being just as important as physical health is a crucial step towards a more socially connected society. We are still not completely healed from the biological COVID-19 pandemic. The thoughts of a psychological pandemic spreading loneliness and social reclusiveness are indeed terrifying. Are we approaching such a pandemic or are we already in the first wave? ///

KEYS TAKEAWAYS

- Researchers have demonstrated the negative effects of technostress, the pervasive, and near-continual use of organizational IT systems on people's health concretely.

- In an increasingly connected world, people are becoming increasingly disconnected. This is the modern-day paradox.

- Hikikomori in Japan is an emerging psychiatric diagnosis and characterizes the Hikikomori as people who have not left their homes or interacted with others for at least six months.

- Renowned media including the BBC, New York Times, National Geographic, and GQ suggest the isolating role of technology which contributes to the rise in the number of people across the world experiencing similar reclusive Hikikomori conditions.

- It is interesting to note that the solution to the problems caused by ICT can indeed be solved by the right use of ICT itself. As the saying goes, we must fight fire with fire.

- In these times of rapid digital transformation, it may be difficult to distinguish between what is normal and what represents the start of a wide range of disorders, including depression, Internet addiction, or Hikikomori.

ENDING SEXUAL AND GENDER BASED VIOLENCE IN KENYA
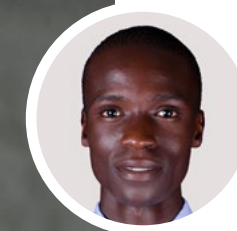
Brian Kaitano, Maseno University, investigates the phenomenon of Sexual and Gender Based Violence in Kenya, the costs to society and ways forward for Kenya to meet its commitment to the UN SDGs.

> **Investing in the elimination of SGBV and harmful practices is both ethical and practical.**

Sexual and Gender Based Violence (SGBV) refers to harm or threat of harm perpetrated on a person based on her/his gender. It is rooted in unequal power relationships between men and women; and as such, women are more commonly affected. The term is often used interchangeably with 'violence against women' and can include sexual, physical, economic and psychological abuse. The six core types of SGBV includes: rape, sexual assault, forced marriage, denial of resources/opportunities/services, and psychological/emotional abuse.

Moreover, SGBV is a phenomenon that transcends social, economic, and geographic borders, impacting girls and women globally and becoming increasingly visible thanks to global movements. According to the World Health Organization (WHO) 2013, an estimated 35% of women have experienced intimate partner violence or sexual violence by a nonpartner. Over time, cross-country studies have consistently documented rates of intimate partner, domestic and sexual violence of at least 30% in various countries for women, with lower rates for men.

The Eastern and Southern Africa region has high rates of SGBV—in Kenya (girls 32%, boys 18%); in Malawi (girls 22%, boys 15%); and in Tanzania (girls 30%, boys 13%) (UNAIDS and UNFPA 2018). The foregoing evidence reveals that more girls than boys experience sexual violence before the age of 18 years. And every year, an estimated 246 million children are subject to some form of SGBV in or around schools—including mistreatment, bullying, psychological

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abuse, and sexual harassment, among others (UNESCO 2016). The 2019 Kenya Violence Against Children Survey (VACS) found that 49% of girls and 48% of boys aged 13–17 years had experienced physical violence, and 11% of girls and 4% of boys indicated that they had experienced sexual violence (Republic of Kenya 2019). This seriously undermines the achievement of high-quality, inclusive, and equitable education for all children.

KEY ACTORS AND COORDINATION STRUCTURES

Humanitarian actors have a responsibility to prevent and respond to gender-based violence. Ensuring an effective response requires a multi-sectoral and coordinated effort by a range of local, national and international actors. These include, for example:

• At the national level, displaced individuals and communities; ministries for justice, health, education, social services and the family; the parliament, particularly relevant legislative or monitoring committees; health care institutions and personnel; police; prosecutors; the military and para-military groups; traditional, customary or religious associations and councils; local NGOs and civil society, particularly women's and youth organizations.

• At the international level, UNICEF and UNFPA serve as focal point agencies for GBV within the Global Protection Cluster. Other important actors include OHCHR, UNDP UNHCR, DPKO, WFP, WHO, ICRC/IFRC, IOM, and many international NGOs.

THE GOVERNMENT`S EFFORTS TO END SEXUAL AND GENDER BASED VIOLENCE (SGBV)

The situation has been worsened by humanitarian crises such as the COVID-19 pandemic and crises related to electoral periods, and this will continue without sustained action. Under the Sustainable Development Goals (SDGs), all countries, including Kenya, committed to end all forms of SGBV by 2030.

Moreover, Kenya has policies and strategies to prevent and respond to SGBV. It launched the National Policy on Prevention and Response to Gender-based Violence in 2014. Additionally, the Kenyan constitution has provisions for the protection of all individuals from any form of violence. These include: The Children's Act (2001, revised in 2012), The Ministry of Education's Gender Policy in Education (2007), The Kenya Sexual Offences Act (Act No. 3 of 2006) and The Basic Education Act (Act No. 14 of 2013).

In June 2021, the Government of Kenya made a valiant decision to end SGBV by 2026. When making the announcement, Kenya promised to intensify its campaign to end these violations by undertaking a series of 12 bold commitments that would remove the systemic barriers that allow SGBV to thrive. Among the 12 commitments feature: Investing $23 million for SGBV prevention and response by 2022 and increasing resource allocation up to $50 million by 2026 through a co-financing model; the full implementation of SGBV laws and policies by adopting SGBV indicators in the government performance contracting framework to track duty-bearers' accountability on enforcement and implementation of SGBV laws and policies by 2022; investing $ 1 million annually for SGBV research and innovation to boost evidence-based programming by 2026 and scaling up the national police service integrated response to SGBV — "Policare" — and establishing SGBV Recovery Centers and shelters in all 47 Kenyan counties by 2026.

WHO ARE THE MAIN PERPETRATORS OF SEXUAL AND GENDER BASED VIOLENCE (SGBV)?

The vulnerability of women and girls to SGBV in Kenya is deeply rooted in a culture where their levels of access to power and resources, as compared to men and boys, are very minimal. Practices such as polygamy, early/child, at times forced marriage, and Traditional Harmful Practices (THP) such as widowhood practices, among others are common.

SGBV is usually perpetrated by persons who hold positions of power or control others, whether in the private or public sphere. In most cases, those responsible are known to the victim/survivor — intimate partners, members of the (extended) family, friends, teachers or community leaders. Others in positions of authority, such as police or prison officials, and members of armed forces and groups, are frequently responsible for such acts, in particular in times of armed conflict. In some cases, this has also included humanitarian workers and peacekeepers.

BARRIERS TO PREVENTION AND RESPONSE TO SEXUAL AND GENDER BASED VIOLENCE (SGBV)

SGBV encompasses a range of harmful behaviors perpetrated against a person based on her/his gender. It is based on gender roles and norms that are rooted in unequal power relationships between men and women. Once again, as such, women and girls are more commonly affected. In communities characterized by male dominance, there is often a direct link to harmful and rigid gender norms that assert control over women and gender-diverse people, rendering them more vulnerable to violence. Multiple research suggests that certain cultural gender-related norms, including widespread acceptance of wife-beating or prioritized access to financial resources for men, are predictive of violence against women. Some of the common barriers to prevention and response to SGBV include judicial barriers, social / cultural / political factors, physical factors and humanitarian programming obstacles.

PREVENTION AND RESPONSE TO SEXUAL AND GENDER BASED VIOLENCE (SGBV)

In order to step up prevention and build a stronger response to violence when it occurs, it is essential for many different constituents to work together — governments, civil society, academia, media, affected populations, the United Nations, and the private sector. Ways forward would be to:
• Expand efforts to target harmful gender norms and educate young people, women, and men through comprehensive sexuality education, behavior change initiatives, and community-based programming.
• Engage men and boys in the prevention of violence and promotion of gender equality.
• Ensure and enforce legal protections and justice for survivors of SGBV.
• Increase equitable access to economic assets.

THE BENEFITS OF ENDING SGBV

Eliminating gender-based violence and harmful practices is linked to the achievement of multiple SDGs and targets, including:
• SDG 3: Ensure healthy lives and promote well-being for all at all ages
• SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
• SDG 5: Achieve gender equality and empower all women and girls.

Investing in the elimination of SGBV and harmful practices is both ethical and practical. While little evidence exists regarding the cost-effectiveness of SGBV interventions, the costs of inaction — including physical and mental health impairments, loss of productivity, and costs related to social, legal, and medical service provision — are staggering. The World Bank has estimated that financial losses due to intimate partner violence for a range of countries run from 1.2% to 3.7% of gross domestic product (GDP), equivalent to what many governments spend on primary education. Based on these numbers, a group of the world's leading economists and Nobel Laureates found that investing in the elimination of all forms of SGBV is one of the most cost-effective SDG targets.

The Government of Kenya should continue honoring the 12 commitments to end all forms of SGBV by 2026. In addition, civil society organizations and the private sector should also intensify the fight against SGBV especially during the COVID-19 pandemic and election period since the situation will worsen without sustained action. ///

KEYS TAKEAWAYS

☐ Sexual and Gender Based Violence (SGBV) is a phenomenon that transcends social, economic, and geographic borders, impacting at least 30% in various countries for women, with lower rates for men.

☐ Every year, an estimated 246 million children are subject to some form of SGBV in or around schools—including mistreatment, bullying, psychological abuse, and sexual harassment (UNESCO 2016).

☐ SGBV is usually perpetrated by persons who hold positions of power or control others, whether in the private or public sphere. In most cases, those responsible are known to the victim/survivor — intimate partners, members of the (extended) family, friends, teachers or community leaders.

☐ Some of the common barriers to prevention and response to SGBV include judicial barriers, social / cultural / political factors, physical factors and humanitarian programming obstacles.

☐ The World Bank has estimated that financial losses due to intimate partner violence for a range of countries run from 1.2% to 3.7% of gross domestic product (GDP), equivalent to what many governments spend on primary education.

☐ Ways to combat SGVB include: comprehensive sexuality education initiatives; community-based schemes; engaging men and boys in the prevention of violence and promotion of gender equality: ensuring and enforcing legal protections and justice for survivors of SGBV; increasing equitable access to economic assets.

MIGRANT ENTREPRENEURSHIP FOR EUROPE'S ECONOMIC GROWTH: RESHAPING A COLLECTIVE CONCEPTION

> **Many believe that migrants entering from less affluent countries are simply cheap labour, but in fact they hold many of the ingredients necessary to be an entrepreneur.**

Entrepreneurship could be key in the economic progress of Europe in the coming years. And, not so surprisingly, Immigrants are best suited to take up this helm. Prof. **Concepción Galdón, IE Center for Social Innovation Director** together with innovation consultant **Laura McDermott** tell us how.

MIGRATION AND PERCEPTION

Few regions in the world have experienced the pain and loss that comes with nationalism and the benefits brought by integration as acutely as Europe, over barely a century. In the 20th century, Europe, the cradle of Humanism and the Enlightenment, saw some of the most horrible crimes ever committed by humankind within its territory. Immediately, the same Europe, in which millions had just died, was able to rebuild itself on the solid foundations of solidarity and a melted identity. The prosperity created by these values turned Europe into one of the most attractive migration destinations worldwide. Migrants took jobs that 'needed to be done' and they created businesses that in turn generated additional jobs. Our economic growth in the face of ever-decreasing birth rates could have never happened without these migrants. Unfortunately, the pendulum might be oscillating backwards. Present generations seem not to remember lessons we learned in the hardest, saddest way.

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ENTREPRENEURSHIP 2020

Within Europe there exists the Entrepreneurship 2020 Plan, which aims to create 'smart, sustainable, and inclusive growth' through entrepreneurship of immigrants. The European Commission realises the value of immigrant entrepreneurship, and acknowledges the obstacles faced on a social, policy, legal and linguistic level. That said, the 2020 plan has been created and is based on three pillars: entrepreneurial education and training; an environment where entrepreneurs can flourish and grow; role models and outreach to specific groups.

This focus is consistent with research. Migrants with higher educational attainment are more likely to be self-employed than those with less training (Cueto and Rodríguez Álvarez, 2015). In addition, research in Sweden shows that businesses led by OECD migrants show higher growth rates than those led by natives, while businesses led by non-OECD migrants show lower growth rates (Efendic et al., 2016). This speaks to segmented integration rather than universal assimilation, according to the authors.

Attempts from key institutional bodies such as the European Commission further emphasise the need to facilitate the growth of commerce among potentially marginalised groups. According to the Commission, entrepreneurship "is a powerful driver of economic growth and job creation: it creates new companies and jobs, opens up new markets, and nurtures new skills and capabilities." (European Commission, "Migrant entrepreneurs")

DIAMONDS IN THE ROUGH

This reality, solidly grounded on research, should lead Europeans to understand the convenience of the abovementioned policies to integrate migrants, upgrade their training and take advantage of the opportunity they bring. However, research shows that attitudes towards migrants have less to do with economic variables and are more related to the fear of cultural impacts on the receiving nation (Hainmueller and Hopkins, 2014). It looks like, when protectionist feelings kick-in, our guts reject those different from us and our brain comes up with economic narratives to give a rational back-up to our fear.

Europe's prosperity turned the region into a magnet for resilient, risk-taking, entrepreneurial people from all around the world. It is our belief that these characteristics should be leveraged to help immigrants cultivate economic prosperity not only for the economies in which they reside, but also for themselves and their families. Migration is an unrivalled tool to advance the SDGs; a set of goals globally pledged and promoted by the United Nations. The same United Nations which was built on the very same values that brought Europe together and led us to the most prosperous decades in our history. Humanism, solidarity and our ability to create a joint identity are necessary for Europe to make the most of the immense opportunity Migrant Entrepreneurship can create. ///

Given the rise in populism across Europe in recent years, and a gravitation towards a 'them versus us' mentality, entrepreneurship among immigrants, specifically those of less affluent countries, might well be in danger. We see countless examples in European politics that indicate a move towards nationalism and monolithic identities. The danger of extremism of this sort is that it creates a 'group polarisation' effect, where exclusivity and closedness towards different perspectives and values become potent. In terms of entrepreneurship, and particularly in the case of less affluent immigrants, such mental models and the systems and/or policies that follow, prevent the flourishing of new businesses.

ENTREPRENEURS BY BIRTH?

Many believe that migrants entering from less affluent countries are simply cheap labour, but in fact they hold many of the ingredients necessary to be an entrepreneur. Yes, an entrepreneur. Indeed, the prevalence of entrepreneurial activity among migrants is solidly established in literature (Hormiga and Bolívar-Cruz, 2014, Levie, 2007, Peroni et al., 2016). So much so that Migrant Entrepreneurship has become a research field in itself (Ram et al., 2017, Baycan-

Levent and Nijkamp, 2009). The case of Europe is no different. Research in Spain, the UK, Germany, Luxembourg, and Sweden, to name a few countries, shows trends consistent with the statements above (Hormiga and Bolívar-Cruz, 2014, Levie, 2007, Mickiewicz et al., 2019, Peroni et al., 2016, Constant and Shachmurove, 2006, Efendic et al., 2016). Moreover, migration-related variables are better predictors of entrepreneurial activity in a region than other variables relative to economic conditions (Levie, 2007).

There are plenty of examples to illustrate the wealth created by migrants in their host countries. Take Berlin-based mimycri, a circular economy brand that creates high quality bags from upcycled refugee rubber boats. The brand's German founders began the initiative during their time in the Greek island of Chios, where they collaborated with refugees to start the organization. Moving out of their comfort zone by volunteering on the island, being resourceful through their use of materials and co-creating an organization with diverse profiles are indicative of an entrepreneurial mindset.

Another very poignant case is that of the brand Road to Damascus. Steve Ali, a Syrian entrepreneur, spent time in a jungle refugee camp in Calais before arriving to London,

where he established the jewellery brand. Since beginning, the brand has received attention from figures in the fashion industry such as Vivienne Westwood. The high-fashion designer features on the brand's social medias pages holding a ring that Ali crafted made from a nail that was snapped off the wall of the Calais shelter.

The factors leading to greater participation of migrants in new business creation are varied. The migration experience seems to self-select risk-taking individuals. Findings from a study in Spain show that migrants are less likely than local populations to perceive starting a business as risky (Hormiga and Bolívar-Cruz, 2014). In addition, there are push factors such as lower employment rates or low status in the labour market, and accompanying factors such as mixed embeddedness (Baycan-Levent and Nijkamp, 2009). Oftentimes we read thought pieces about resourcefulness, resilience and comfort with uncertainty as being key factors for entrepreneurial success. Immigrants, particularly refugees and those of less affluent economies, are often forced to develop these characteristics as a means of survival.

KEYS TAKEAWAYS

- Migrants took jobs that 'needed to be done' and they created businesses that in turn generated additional jobs

- In terms of entrepreneurship, and particularly in the case of less affluent immigrants, mental models such as extremism and closedness lead to systems and/or policies which prevent the flourishing of new businesses.

- The prevalence of entrepreneurial activity among migrants is solidly established in literature.

- Immigrants, particularly refugees and those of less affluent economies, are often forced to develop entrepreneurial characteristics as a means of survival.

- Research shows that attitudes towards migrants have less to do with economic variables and are more related to the fear of cultural impacts on the receiving nation

- Migration is an unrivalled tool to advance the Sustainable development goals of the United Nations.

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THE FOUR CONDITIONS FOR AN EFFECTIVE CLIMATE PHILANTHROPY

Professor **Arthur Gautier** and researcher **Eléonore Delanoë** of the **ESSEC Philanthropy Chair,** together with Dr. **Charles Sellen, PhiLab UQAM,** write on the potential roads philanthropy can take towards supporting the green transition and what it can do to maximize its impact.

First published in French via The Conversation, by Professor Arthur Gautier, Eléonore Delanoë, and Charles Sellen.

> **Philanthropy can place a subject at the centre of the state agenda via petitions and appeal, support for networks of actors and researchers, or innovative local initiatives.**

Whether the pledge announced by the Hewlett Foundation, one of the largest foundations active in the field of climate action, to mobilise the sector; or the recent promise by Jeff Bezos, CEO of Amazon, to provide €10m to help in the fight against climate change, the climate cause has intensified among donors. As such, the philanthropy sector is now resolutely in marching order to meet the challenge.

If it wishes to effectively mobilise beyond the usual specialists and already-convinced philanthropy will have to tackle three major issues: systematic proof of positive impact on the climate – dubbed "climate co-benefits" – in funded projects; exemplarity of its operations and investments; and its capacity to attract various stakeholders in a spirit of dynamic action and political change.

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RECOGNISING CLIMATE AS A CROSS-SECTOR STAKE

Foundations often approach climate as an isolated topic. This "silo" approach has two failings: it reduces the field of potential donors and dissuades programmes that link climate to other causes.

However, in the world of public institutions for development aid such as the French Agency for development (AFD), climate has been treated as a cross-sector cause since the early 2000s. It is now systematically included in the analysis and financing of projects, whatever the sector – urban development, energy, waste water, education, health among others.

As such, in the 2017-2022 period, the AFD set itself a triple objective to systematically measure the carbon footprint of the projects it financed, allocate "50% of its funding to co-benefit climate projects", and become the "first bilateral development bank with an explicit mandate to implement the Paris Climate Agreement."

Even when they are not specifically specialised in climate issues, foundations can subsequently all contribute to taking on this dimension in their sector of activity by systematically seeking a positive impact or, as a minimum, a neutral impact on the climate in their programmes.

A logical approach given the sheer size of climate change's effects to come. "Everything foundations support today will be impacted by climate change," says Sasha Spector, Director of the environmental programme at Doris Duke Charitable Foundation, an American fund specialised in protecting

biodiversity, and whose reforestation projects also aim to fulfil the objective of carbon offsetting.

Climate change will most certainly have a disproportionate impact on the most vulnerable populations which indeed make up a large part of foundations' beneficiaries. In 2005, Cyclone Katrina made a lasting impression on people's minds with its devastating impact on deprived communities in New Orleans and gave voice to the movement for "climate justice".

For Vidya Shah, CEO of the EdelGive Foundation a member of the Indian Climate Collaborative, a recent group created to federate the major players in Indian philanthropy around the theme of climate, "foundations in India are not generally focused on climate, but they often have activities that are impacted by climate change, such as the resilience of rural communities in the wake of cyclones, for example."

Foundations active in education, the media or cultural fields, do not want to be left out of the fight. Since the historic success of the film *An Inconvenient Truth*, notably financed by the Canadian philanthropist Jeff Skoll, they know that they play a major role in changing people's perceptions and mentalities on climate change.

BEING CREDIBLE BY BEING BEYOND REPROACH

Foundations and associations are not only actors committed to the climate cause. They are also organisations that emit greenhouse gases and, as such, their responsibility from a climate point of view is to examine and reduce emissions generated by their activities.

Contrarily to large corporations, foundations possess few "tangible assets" – buildings or machines, for example – and their carbon footprint is in this respect negligible. It is a totally different question regarding their financial and non-tangible assets. Their capital funds, mainly invested in financial markets in the form of bonds and shares, are far from being based on hearsay.

In Europe, their combined assets represent €511 bn according to the Centre for European Foundations. They could, moreover, show proof of a little more audacity in committing to portfolio "decarbonisation" strategies, advocated, for example, by the Divest-Invest movement.

Two reasons justify this approach: on the one hand, the necessity to be consistent and link actions to words. What credibility should we give to a foundation that claims it protects the environment while investing in fossil fuels?

On the other hand, the amount of annual donations represents only a small share of a foundation's capacity to act. In the classic pattern of capitalized foundations, the foundation's capital is notably placed on financial markets with the goal of ensuring durability and therefore giving-capacity for a longer period of time.

The result is that the available budget for donations does not correspond to the capital itself, but to the average annual interest earned on investments – generally representing 5 % of the foundation's capital. As such, to involve the philanthropic sector entirely in a climate resilience approach, the unspent 95% would have to be mobilised, as well as

ensuring that this money is invested in assets that drive the energy transition, or which are testimony to a sincere commitment to reduce the carbon footprint of asset portfolios.

INVESTING RESPONSIBLY

Via their low-carbon investment strategies, can foundations weaken the high-carbon industry emitters? Without a doubt not directly – nor in the short term. Firstly, because the foundations' investments only count for a minute amount of financial transactions: and secondly, because investors attracted by the quick win in hydrocarbons are still very much present. Polluting industries will therefore have no trouble in continuing to finance themselves on the markets – even without the support of foundations.

The majority of foundations aim to conserve the value of their endowments over time and, as such, seek to invest in assets that have low financial risk. This limits their appetite for young start-ups focused on the green transition. Although having a strong potential for growth, the latter present a risky profile to which is added uncertainty linked to technological and political contexts under constant change on the questions of climate and energy.

The transition towards a low-carbon economy represents a challenge for the whole financial sector. Foundations, however, are well-placed to open the path to more responsible investment strategies. In France, side by side with the public establishments already involved within the framework of the French *Stratégie nationale bas carbone* (National low-carbon strategy), which other category of actors would be best placed to set an example?

Aiming for climate co-benefit in the majority of financed projects, and re-orienting their investments towards low-carbon assets: here are two essentials required for the philanthropy sector to fully play its role and remain consistent with its values. Foundations are unfortunately very far from being able to be game-changers in themselves. Setting up the required policies and allocating the necessary billions of euros to climate transition needs the mobilisation of the whole of society: citizens, institutional investors, decision-makers, and companies to name but a few.

MOBILIZING SOCIETY TO INFLUENCE THE DECISION-MAKERS

In this regard, foundations do indeed have the capacity to play a catalysing role, bring together the various stakeholders, and create a virtuous group dynamic. Thanks to its capacities of adaptation and its greater room for manoeuvre – contrarily to state action, it isn't limited by electoral constraints – philanthropy can place a subject at the centre of the state agenda via petitions and appeal, support for networks of actors and researchers, or innovative local initiatives.

Marie-Stéphane Maradeix, Director General of the *Fondation Carasso,* which promotes sustainable food, is one of the leading figures in integrating climate in French foundation strategies. According to her, even with limited means, a foundation can have sizable leverage. It can support social movements in their bid to change and re-structure things, finance fab labs whose outcomes will supply state action, and even lend support to decision-makers in their transition policies.

This is the case with the Kigali Cooling Efficiency Program, an initiative bringing together 17 foundations and $51m to support developing countries in their initiatives to reduce hydrofluorocarbons – gases used in refrigeration and aerosols – that create a greenhouse effect 14,000 times more powerful than CO2.

PHILANTHROPY: A CATALYST FOR THE GREEN TRANSITION?

Despite insufficient means to combat the size of the climate crisis, philanthropy indeed has several useful cards to play: including climate in every programme and cause, investing and acting in a low-carbon mindset, and bringing leverage to bear on state decision-makers by gathering a variety of different stakeholders around the table.

Several recent initiatives include, in the UK, the Funder Commitment on Climate Change. This groups forty-or-so foundations having made concrete commitments to the climate (notably training, including climate in existing programmes, freeing up means, investing endowments, and the reduction of their carbon footprint) and pledging to assess their progress on this.

And in France, *Fondations et Climat* groups 10 foundations. These focus on 3 areas of action following the same three strategies outlined above: adapting the programmes of the member foundations to climate stakes, reducing their environmental footprint, and strengthening international networks in the field.

It remains to be seen if these pioneering initiatives will be followed wider afield and give rise to a catalysing effect that will manage to carry the whole of society with it. ///

KEYS TAKEAWAYS

▢ Philanthropy will have to tackle three major issues: systematic proof of positive impact on the climate in funded projects; exemplarity of its operations and investments; its capacity to attract various stakeholders in a spirit of dynamic action and political change.

▢ Foundations often approach climate as an isolated topic. This "silo" approach has two failings: it reduces the field of potential donors and dissuades programmes that link climate to other causes.

▢ Climate change will most certainly have a disproportionate impact on the most vulnerable populations which indeed make up a large part of foundations' beneficiaries.

▢ The transition towards a low-carbon economy represents a challenge for the financial sector. But they are well-placed to open the path to more responsible investment strategies.

▢ Philanthropy's trump cards: capacities to adapt, its greater room for manoeuvre, and contrarily to state action it isn't limited by electoral constraints.

ARE CHINESE FIRMS "TUNNELING" THEIR WAY OUT OF CORPORATE PHILANTHROPY?

Professor **Yuejun Tang, School of Management Fudan University,** sets out to investigate why Chinese firms are reluctant to donate money, from a corporate governance perspective.

> " **The government could play a critical role by encouraging strategic philanthropic behaviour, supervising social responsibility and increasing tax allowances.**

Stronger brand value, better relationship with stakeholders and improved financial performance – these are just a few of the myriad benefits arising from corporate philanthropy. Yet, it has been found that less than 1% of Chinese firms make charitable donations and a vast majority have no philanthropic agenda whatsoever. Why is China lagging so far behind the US and Europe when it comes to charitable giving? Surely it is not due to a lack of resources. China, after all, is perfectly cut out to surpass the US as the world's largest economy by 2030. It has lifted more people out of poverty than any other country. What, then, is keeping Chinese firms from donating?

TUNNELING: A CRIPPLING AFFLICTION IN CHINESE FIRMS

The answer lies in the corporate governance of Chinese firms. Chinese companies have a pyramid control structure whereby the ownership is highly concentrated in the hands of a few. More often than not, these few shareholders end up exploiting the rights and interests of small- and medium-sized shareholders, by virtue of their superior controlling powers. In other words, they engage in "tunneling" activities to channel private benefits towards themselves at the cost of the minority shareholders' interests.

The ultimate controllers are unlikely to devote their resources to corporate philanthropy because the tunneling effect promises a much greater earning potential than corporate

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philanthropy does. Also, any benefit arising from corporate philanthropy would have to be shared with all shareholders while the fruits of tunneling activities are reserved exclusively for the ultimate controllers. Our study with 1,100 Chinese A-share listed companies revealed that the higher the voting rights of ultimate controllers the lower their ratio of charitable donation to revenue. Instead the ultimate controllers readily turn to tunneling behaviors for private gains.

WHOSE MONEY SHOULD CHINESE FIRMS DONATE?

Interestingly enough, although ultimate controlling shareholders in A-share listed companies are reluctant to donate assets they control, they are more willing to donate if most of the money comes from minority shareholders. While ultimate controlling shareholders have greater voting rights than the other shareholders, they often have much lower cash-flow rights. This means that most of the corporate resources actually come from the minority shareholders, but it is the ultimate controllers who decide how to utilise these resources. In such cases, ultimate controllers donate some money that belongs to minority shareholders in pursuit of a win-win scenario whereby they get to enjoy the benefits of corporate philanthropic behaviors without spending any of their own resources. We found that the greater the deviation of voting rights and cash-flow rights among private enterprises, the higher is their total donation ratio.

ARE WE REALLY DONATING FOR THE RIGHT REASONS?

Private enterprises (PEs) fare relatively better than state-owned enterprises (SOEs) when it comes to corporate philanthropy in China. They tend to engage in corporate philanthropy, albeit with the resources of minority shareholders, to boost political legitimacy and acquire precious resources, ranging from fewer government regulations to preferential tax policies and restricted

competition. The SOEs, on the other hand, are less motivated to donate – even during times of crisis. For example, we discovered that after the devastating Wenchuan earthquake of 2008, the ultimate controllers of A-share listed private enterprises offered more donations than those of state-owned enterprises.

Unfortunately, a lot of the magnanimity of giving fades away when we realise that many PEs consider corporate philanthropy merely as a kind of insurance against their tunneling activity. For such enterprises, philanthropy serves as nothing more than an enticing opportunity to discourage external monitoring by minority shareholders, and mask tunneling behaviors.

THE SILVER LINING

Yes, Chinese firms are indeed 'tunneling' their way out of corporate philanthropy. They are disproportionately more focused on tunneling activities than on charity. However, despite our dismal findings, we still harbour hopes as business ethics and institutional reforms continue to evolve in China. The government could play a critical role here by encouraging strategic philanthropic behaviour, supervising social responsibility and increasing tax allowances. A tighter supervision over the pyramid structure can surely serve to prevent the ultimate controllers from gaining private benefits by donating only the money that comes from minority shareholders. ///

KEYS TAKEAWAYS

☐ Despite the benefits arising from corporate philanthropy – stronger brand value, improved relations with stakeholders, improved financial performance – less than 1% of Chinese firms make charitable donations and a vast majority have no philanthropic agenda.

☐ Research shows that this is because the governance structure of Chinese firms is highly concentrated in the hands of a few and these engage in "tunneling" activities to channel private benefits towards themselves at the cost of the minority shareholders' interests.

☐ The higher the voting rights of ultimate controllers the lower their ratio of charitable donation to revenue.

☐ Private companies tend to engage in corporate philanthropy, albeit with the resources of minority shareholders, to boost political legitimacy and acquire precious resources.

☐ The government could play a critical role by encouraging strategic philanthropic behaviour, supervising social responsibility and increasing tax allowances and monitoring tighter supervision over the pyramid structure of Chinese firms and behaviours of their ultimate controllers.

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CAN ENGLISH LANGUAGE PROFICIENCY FOSTER EMPLOYEE COMMITMENT TO GLOBALISATION?

Dr. **Sachiko Yamao,** Assistant Professor at **Keio Business School,** and Prof. **Tomoki Sekiguchi** of **Kyoto University** explore the extent to which a strong grasp of English can influence employee commitment towards embracing the globalisation of their firms.

By CoBS editorialist Afifeh Fakori based on the research paper *Employee commitment to corporate globalization: The role of English language proficiency and human resource practices,* Sachiko Yamao, Tomoki Sekiguchi .

LET'S GET THIS STRAIGHT: GLOBALISATION CAN BE STRESSFUL FOR EMPLOYEES.

Am I going to meet my targets? Are costs going up? Will I get that pay rise? Indeed, there's no paucity of stress in daily corporate life. Now imagine your company decides to expand beyond national borders where your native language skills will no longer suffice. English is the *de facto* language for global business and lack of proficiency in this language can be a significant, new cause of stress for employees. Poor English language skills can hinder interpersonal communication and relationships within an organization, while the resulting frustration adversely affects collaboration and task performance within the firm.

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Attitude towards globalisation is thus often influenced by non-native English speakers' perceptions of their English-language proficiency. However, it is imperative to remember that regardless of this self-perceived language proficiency, the organization in question can also play a role in aligning commitment towards globalisation through HR practices promoting the development of language skills.

This commitment can have 3 components:

a) **Affective Commitment:** This relates to the employees' desire to engage with the change (which in this case is globalisation) taking place within the firm

b) **Normative Commitment:** This is associated with the employees' sense of obligation to commit to organizational change

c) **Continuance Commitment:** This pertains to employees' calculative attitude based on a cost-benefit analysis which they do to decide whether or not they should comply with the change.

SELF-PERCEPTION OF LANGUAGE SKILLS INFLUENCES DEGREE OF COMMITMENT

When employees believe that they are adequately fluent in English, they have the confidence to cope with the multilingual work environment that accompanies the globalisation of their firm. They are less anxious about communication at work and thus more likely to be motivated to embrace working in a global setting. This is an instance of *affective commitment.*

In fact, this commitment can go one step further with some employees believing that not only can they contribute to globalisation but also that they *should* contribute. Employees who are great in English often begin to develop their identities as 'international employees' capable of engaging in international transactions. With this identity, comes a strong sense of responsibility and obligation – that is, a *normative commitment* – towards contributing to globalisation.

Then there is also the fact that most people, consciously or unconsciously, engage in a cost-benefit analysis of not committing to corporate globalisation. The decision

not to commit could lead to slower career progression, smaller increments and limited career options. In order to avoid such costs, employees with high levels of self-perceived English language proficiency often tend to develop a *continuance commitment* to align themselves to a multilingual work environment. However, this commitment is not particularly strong because English language skills are easily transferrable. As such, employees may not really feel that their jobs are threatened even if non- committed to the globalisation of their firm – after all, all they have to do is switch firms.

HR PRACTICES ALSO IMPACT EMPLOYEE ATTITUDE

Many firms offer language and cross-cultural training to their employees as a means to facilitate the process of globalisation. Such organizational support motivates employees and gives rise to a positive social exchange relationship between a firm and its employees. They also feel an obligation to reciprocate the support that they receive from their organization.

Some organizations go so far as to link language skills to performance appraisals. Fluency in English could also be set forth as a criterion for promotion. Under such a carrot and stick approach, employees tend to be eager to develop their language skills and contribute to the firm's globalisation as the cost of not doing so would entail a stunted career progression. The ultimate result is that employees are more likely to put in efforts to help their firms throughout the globalisation process. This is particularly true for employees with low levels of self-perceived proficiency in English. These employees are often aware that they lack a resource of much instrumental and symbolic value – the ability to communicate well in English. As a result, they appreciate HR support towards attaining this resource more than the other employees. They are more responsive to HR practices and eventually exhibit stronger commitment to the globalisation of their organization.

THE JAPANESE CONTEXT

Japanese companies serve as interesting examples of globalisation. They are diversifying operations across borders rapidly and even firms which have had multinational operations for quite some time now are revamping their strategies. Fast Retailing, Nissan and Rakuten have moved towards using English as the official corporate language while Toyota is sending more and more local employees on expatriation for career development.

Carrying out research among 693 Japanese employees, Dr. Yamao and Prof. Sekiguchi found that self-perceived English language proficiency and relevant HR practices indeed enhance affective and normative commitment to globalisation. However, it was observed that a cost-benefit analysis of not complying to globalisation was not a key driver of commitment in Japan. This can be attributed to the very specific style of HR management in Japan – a style

that is characterised by long term employment. Since firing employees in Japan is difficult, losing one's job due to low commitment to globalisation is not a particularly probable scenario.

SO, WHAT DOES THIS IMPLY FOR MANAGERS?

Regardless of the type of organisational change (globalisation or otherwise), it is of paramount importance to identify the employee skills critical for a given organisational change – if not, managers remain unaware of how to nurture positive employee attitude towards it – and HR unable to implement practices necessary for acquiring the relevant skill.

In the specific case of globalisation, it has been observed that self-perceived level of English language proficiency is important towards shaping positive attitudes of employees towards globalisation. HR can reinforce this commitment through language training and by linking English fluency levels to recruitment and promotion. One word of caution though: such practices should be applied to all functions within the firm and across all levels – if not, conflict and power distance will result. In the case of limited resources, however, the focus should first be on employees with low levels of English language proficiency since it would be more effective for and appreciated by this group of employees. These efforts are long term investments that will eventually help an organisation to move smoothly from local to global. ///

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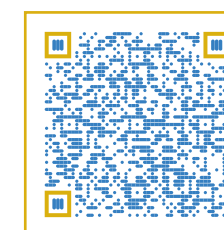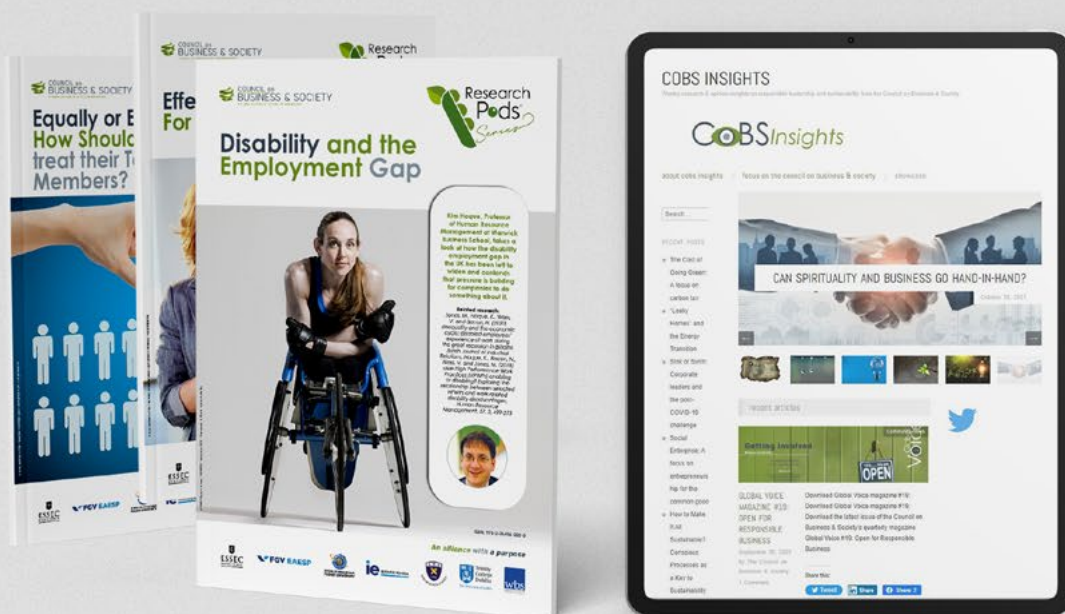
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via CoBS Insights featuring regular articles, research and opinion pieces on issues relating to leadership and governance, diversity, sustainability, business ethics, energy, employee health and entrepreneurship.

A bank of shared ***educational materials***
between member schools with an international dimension, available for use in classes, courses and programmes.

A quarterly *eMagazine*
featuring impact articles on CSR issues.

Council *Faculty research projects*

Inter-school *Student projects*

Student Surveys
summarising how our students view key issues facing business and society.

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COUNCIL on BUSINESS & SOCIETY
AN ALLIANCE WITH A PURPOSE

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*A singular presence
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