The Common Transformative Space of Sustainability and Responsibility

Submitted by Katrin Muff

to the University of Exeter as a thesis for the degree of Doctor of Philosophy by Publication in Management Studies
In July 2015

This thesis is available for Library use on the understanding that it is copyright material and that no quotation from the thesis may be published without proper acknowledgement.

I certify that all material in this thesis which is not my own work has been identified and that no material has previously been submitted and approved for the award of a degree by this or any other University.
Abstract

This thesis attempts to formally connect the fields of sustainability and responsibility. It considers first the larger context of business sustainability and responsible leadership, and evaluates the value and need for a common transformative space for these fields and what such a space might look like. As such, the thesis investigates the relation between sustainability and responsibility from an organizational and personal development perspective. This developmental perspective emerges from research in the domain of business education and the role of business schools in terms of educating responsible leaders for a sustainable world. The research suggests a concrete approach, the ‘Collaboratory’ for such a common space of transformation and critically evaluates its effectiveness to develop responsible leaders.

The key contribution of this thesis lies in the interconnection of two fast evolving fields of research: the development of responsible leadership and business sustainability, providing a model for practitioners and scholars to reflect on and debate the larger forces and dynamics at play. Most research to date has focused on considering personal and organizational transformation separately. On the one hand, research scholars have studied effective learning environments to enable responsible leadership, and on the other hand, we have studied if and how organizations can advance from their current mode of operations to become “truly sustainable”. The thesis contributes a model to describe the interdependency of these two, and proposes the ‘Collaboratory’ as a means to realize this interdependency in practice.

Chapter 1 is a new article theorizing the whole argument; subsequent chapters are previously published articles in these inter-connected fields and addressing methods and approaches to connect personal and organization development, drawing from a body of literature that considers the human spirit in large social change; and using the ‘Collaboratory’ as an illustrative and timely example for such methods.
# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>CHAPTER 1: INTRODUCTION &amp; SUMMATIVE MODEL</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction and Structure</td>
<td>6</td>
</tr>
<tr>
<td>Aims and Objectives</td>
<td>7</td>
</tr>
<tr>
<td>Research Methodology</td>
<td>10</td>
</tr>
<tr>
<td>Definition of Terms</td>
<td>12</td>
</tr>
<tr>
<td>The summative model</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 2: ORGANIZATIONAL DEVELOPMENT TOWARDS BUSINESS SUSTAINABILITY</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. An Organizational Roadmap for Business Sustainability (Muff, Katrin, Dyllick, Thomas) in review process with the Journal of Applied Corporate Finance, 2015</td>
<td>82</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 3: PERSONAL DEVELOPMENT TOWARDS RESPONSIBLE LEADERSHIP</th>
<th>Page</th>
</tr>
</thead>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>211</td>
</tr>
</tbody>
</table>
CHAPTER 4: THE COMMON TRANSFORMATIVE SPACE OF SUSTAINABILITY AND RESPONSIBILITY

9. 50+20 – A vision for Management Education (Muff, Katrin), in: Global Focus, issue 3, 2012


Contributions, limitations and further research

APPENDICES

Appendix 1: Declarations of co-authors

Appendix 2: Summary of the Responsible Leadership Grid by Liechti (2014)

With special thanks to Greenleaf Publishing and their publications ‘The Collaboratory’ book and the ‘Building Sustainable Legacies’ journal!

Total 299 pages bound in 1 volume
To Thomas

who is patient with my own impatience, and

who is the safe harbor I return to after my adventures in the wild sea.

Thank You for being You

and for touching my heart.
CHAPTER 1

INTRODUCTION & SUMMATIVE MODEL

Introduction and Structure
Aims and Objectives
Research Methodology
Definition of Terms
The Summative Model
The Common Space of Sustainability & Responsibility

A model for organizational and personal transformation

Katrin Muff, Business School Lausanne, Switzerland

Introduction and Structure

The aim of this chapter is to frame the summative argument and model relating to a common space between sustainability and responsibility. The model results from many years of research in the fields of business sustainability, responsible leadership and business education. It will also reflect on methodologies and define key terms of this thesis. This introduction sets the stage by outlining the context of the discussion. Over time, it became apparent that these fields are interconnected as follows: organizational development towards business sustainability and personal development towards responsible leadership are both related building on previous work in the fields of organizational development and developmental theory (Erikson 1982; Laloux, 2014). Importantly, the model suggests the need and benefit for a common space of sustainability and responsibility which occurs when individual and organizational efforts meet in service of societal development. This chapter draws a transdisciplinary arch of these fields and builds on significant existing thinking and practice across these fields.

There are many ways to act responsibly in the world. Engaging in the attempt to make business more sustainable is one of them. Current discussions suggest that business because of its potential for innovation is being considered as a source of hope when looking at the sheer size of global environmental, social and economic challenges we face (Raworth, 2012). Vision 2050 developed by the World Business Council for Sustainable Development (WBCSD) sums it up very well: the big aim for the world is for ‘everybody to live well and within the limits of the planet’ (WBCSD, 2010). This dual aspiration of increasing the human development on one hand and reducing the environmental footprint on the other, poses serious challenges for any society, no matter where they are in their economic development. The next three decades will see 2 billion new consumers moving up to the middle class – each of them feeling entitled to have access to the standard of living developed countries enjoy. “The sheer scale of this task is rarely acknowledged. In a world of 9 billion
people all aspiring to Western lifestyles, the carbon intensity of every dollar of output must be at least 130 times lower in 2050 than it is today. And by the end of the century, economic activity will need to take carbon out of the atmosphere rather than adding to it” (Jackson, 2011, p. 187).

Sustainability discourses are oriented on finding ways to ensure that the growing number of people on our planet can live as well as possible while avoiding to further impeding the limits of our planet. Business sustainability as such is placed in the larger context of the idea of a ‘safe operating space’ for economic development within planetary and societal boundaries (Raworth, 2012). Such a context results in a vision for business that inquires how business positively contributes to a world where ‘everybody lives well and within the limits of the planet’ (WBCSD, 2010). The focus of the economic discussion is placed on what business can do to improve the sustainability challenges (of environmental, societal and economic order) of today and tomorrow. Yet, if business is going to save the day, the economic context in which it operates would need to be revised to transform short-term profit maximization goals towards generating positive value for society. For this, so an instrumental logic would argue, we need different kinds of leaders, leaders who act responsibly for the world, ‘globally responsible leaders’ (GRLI, 2005). The argument would be that such responsible leaders need to engage in shifting the organizational focus from inside-out to outside-in, from seeking markets for their products and services to applying their resources and competencies to resolving the burning sustainability issues locally or globally.

We can also look at the argument from the other side. Leadership discourses are mostly concerned with the functional efficiency of people in leadership roles, with critical voices expressing concern about the theory-practice gap and the relevance and purpose of such leadership approaches. Here, our concern would mostly relate to the absence of ‘purpose’ in some traditional leadership discourses, suggesting that we need to lift the discourse from its functional limitations to a purpose-inspired practice. Leadership would thus transform into responsible leadership with the aim to ensure that businesses organize themselves to provide the largest possible value for the system in which they operate, society and the planet. It would thus be responsible leaders running responsible organizations solving the increasingly complex and interconnected environmental, societal and economic challenges of our times. This logic is as instrumental as the argument in the above paragraph, meaning that we
‘use’ leaders and businesses as tools to solve global problems. A substantive logic would alternatively be entirely happy with enabling leaders to further develop themselves with no other purpose than their own personal development. It is the sustainability context with all of its urgency, which is now forcing this instrumental logic in the field of leadership which I shall investigate in this chapter. We are looking for a common space for responsible leadership and business sustainability and wonder what it might look like in theory and in practice.

This introductory chapter summarizes the subsequent chapters into a summative model. The model draws on a selected range of previously published articles that are divided into three main chapters. As such, the structure of the introductory chapter builds on the structure of the entire thesis, with the first section called ‘organizational development towards business sustainability’ offering insights into the economic context offering a literature review of the topic in addition to a summary of my own work in chapter 2. The second section called ‘personal development towards responsible leadership’ starts by framing the challenge of responsible leadership including the theory-practice gap and then considers how to define responsible leadership including thoughts from both Eastern and Western philosophies. It builds on my contributions in this field which are collected in chapter 3. Section three and four discuss the interconnection of responsibility and sustainability and propose a model as well as enabling conditions for such a transformative space. Section five builds on a number of contributions in the area of the ‘Collaboratory’ which are featured in chapter 4. This chapter here concludes with contributions, limitations and further research.

The various articles in the subsequent chapters 2, 3 and 4 demonstrate coherent pursuing themes that lead up to a consistent study of the often separately considered fields of sustainability and responsibility, leading to the understanding of the value and need for a common space of both to favor related organizational and personal transformations. Explorations around methodologies of how to create and hold such a space formed an integral part of explorations of the role and purpose of the business school of the future and the related emergent ‘Collaboratory’ methodology has been tested and applied in this sense. There is a high degree of self-referencing in the introductory notes of chapters two, three and four. This is due to the fact that I sought to provide an introduction of what follows, providing a contextual framework so that the reader can orient himself.
Aims and Objectives

Completing a PhD by publication is unusual in as far as the journey didn’t start with an ingoing hypothesis that is subsequently rigorously tested as is done in traditional research approaches. What defines this PhD journey is the emergent nature of an iterative process over a number of years with mostly inductive research conducted in three different fields, namely: business sustainability, responsible leadership, and learning pedagogies in management education (organized in chapters 2, 3 and 4 respectively). The articles which shaped the chapters of this thesis emerged as a result of concrete questions and challenges I faced in my role as Dean of a Swiss business school. It was thus never the goal to start with aims and objectives that would subsequently shape the research and what I present here as aims and objectives represents the research goals my adviser and I defined for the summative work of the previously published articles which forms the heart of this chapter 1.

The aim, thus, of this chapter which summarizes this PhD is to synthesize my previous work and to develop a summative model connecting sustainability, responsibility with a common space of transformation. The original contribution to knowledge consists of interconnecting two fields of research that are typically considered separately and by placing these two fields into a development perspective of individual and organizational transformation in service of society.

In order to achieve this aim, the objectives include my efforts to:

a) theorize the emergent assertions of the three subsequent chapters by outlining the underpinning arguments my observations in the three chapters are built on

b) contextualize my contributions within the literature of the fields by clarifying terms and distinguishing my contributions from the work of others

c) synthesize these learnings and propose a theoretical model of responsibility and sustainability in the context of individual and organizational development and their theories as the key contribution of this summative chapter

d) outline the potential applications and limitations of the model and to review the selection of most suitable articles that are to be featured in the remaining three chapters.
The work of this cumulative PhD (by publication) thus emerged as it developed and is best considered in the context of the “reflective practitioner (Schön, 1984). Schön examined what a small number of practitioners actually do and suggests that reflection-in-action can be considered as a research approach in its own rights as it is also based on its own kind of rigor that in some ways resembles the rigor of scholarly work which is typically based on strictly controlled experimentation. I will develop the ontology and epistemology of my collective work in the research methodology section that follows. The inductive, bottom-up approach resulted in a larger picture framework that could not have been developed using a deductive approach.

Kuhn (1970) had studied the development of scientific knowledge over centuries and concluded that there are phases of long incremental changes which are a result of accumulative improvements of knowledge, and there are phases of relatively short revolutionary change where paradigms change fundamentally. Kuhn argues that discovery of abnormalities result in such times in new maps, using the example when we realized that the sun rather than planet earth was the center of our universe. We could maybe argue that today; with the realization that we no longer live on a planet with unlimited resources, we are in a similar situation. Many argue that as a result, ‘business-as-usual’ no longer is a viable option and that we need revolutionary new approaches. The summative framework I propose inspires to be a contribution to such a time where we depend on unusual new proposals that allow potentially the development of new maps. In such times, the creation of theory through inductive approaches may well be more appropriate than the more traditional deductive approach which serves to test existing theory.

The cumulative work of the collected articles forms the foundation for this inductive approach which demonstrates my strength which lies in the ability synthetize and to implement new ideas in practice. This includes subsequently learning from such implementation in order to further advance the ideas, as do reflective practitioners (Schön, 1983), rather than the rigorous testing of hypothesis which forms the basis of deductive research.
Research methodology

Given the nature of this PhD by publication which consists of a number of independent publications, there is no single research methodology that has been used. Indeed, the research methodology differs for each article and is explained and outlined in the context of each chapter. It is important to state upfront that much of the work provided in this thesis is of a prospective nature and can be considered as a ‘working hypothesis’ which in many instances is being tested (as outlined in various articles and chapters) and in some instances has further explorations which is still ongoing.

The ontology that informs this research – with very few exceptions – considers the world as constructed with dimensions beyond the physical world of things and living beings. Rather than an objective viewpoint supported by rational explanations of the ‘truth’, we presume that the world contains many, subjective, realities that together form an integral part of the world and can be studied, for example, through the perspectives of sociology or psychology. The only area where a positivist perspective takes precedence is in the area of some science-based sustainability domains that are built exclusively on clearly stated facts and figures and claim that the world can be measured and understood as one objective reality.

The four paradigms of social phenomena developed by Burrell & Morgan (1979) to examine and understand social phenomena are useful to better understand the epistemological position of my work (figure 1). While they consider the two dominant ontologies on the horizontal axis, they suggest two epistemologies on the vertical axis that differ in how deep a change is sought. The less judgmental perspective at the bottom is relevant for those efforts that seek to build on existing theory and look primarily on improving things (example: regulatory improvements). Alternatively, the critical perspective that seeks fundamental change (example: of the status quo) belongs to an idealist perspective that presumes how the world should be.
Burrell & Morgan (1979) describes 4 paradigms of which the work of this cumulative PhD clearly falls into the left hand column of ontology (a subjective, constructed world of many realities) and contain either the *interpretative* paradigm of a constructive realist approach, or the *radical humanist* paradigm of an explorative idealist approach; the latter holding a critical perspective, the former a less judgmental view. These two paradigms fall under the constructivist position that “maintains that all representations of organizational life are necessarily fallible and subject to ongoing contestation and dispute” (Newton, Deetz and Reed, 2011).

From the perspective of a critical realist and a radical humanist, it is not only conceivable but also sensible to consider methodological pluralism, as used in the subsequent chapters. As such the model proposed in chapter 1 suggesting an interconnection of an inner and outer space reflected by responsibility and sustainability builds on a constructionist and positivist assumption, yet suggesting an overarching constructivist position. As already outlined, the sustainability argument which forms the backbone of chapter 2 builds largely upon positivist approaches and ‘scientific facts’ about parts per million (ppm) of CO2 emissions, radiative forcing, etc. reflected in the notion of planetary boundaries (Rockström, 2009). Chapters 3 and 4 continue in this constructionist perspective which, as emerges from tone of the
introductory chapter 1, can be considered as the dominant worldview of how I go about analyzing and explaining reality in this thesis. Constructivist methodologies thus dominate this thesis in a context of methodological pluralism of a critical realist perspective.

The research methodologies used are in line with the ontological and epistemological perspectives that express an integral, often critical, perspective and thus are by nature inductive rather than deductive. At the heart of this chapter stands a model which can best be positioned in the realms of inductive research (theory creation), rather than the academically more familiar space of deductive research (theory testing). Building new theory rather than testing theory is appropriate when employing a highly critical perspective of a radical humanist. Mintzberg (2005b, p. 1) describes inductive research as “inventing explanations about things; not finding them – that is the truth – inventing them”, and concludes with “we don’t discover theory, we create theory”. In line with Mintzberg’s suggestion that “we must choose our theories according to how useful they are, not how true they are” (p. 1), there is no assumption here to create a true model. There is simply an aspiration to shed light on a currently little discussed area of management, fully recognizing that this model shall live only for as long as it takes to develop a better one. As such, the proposed model is but a first attempt to conceptually connect two separate fields. It is critical to understand the relationship between leadership types and business sustainability, and doubtlessly, much more work is needed to explore the many dimensions of such a relationship.

As such, the frequent use of mixed methods is compatible with a methodological pluralism as we are taking an explorative and descriptive approach to many phenomena that are observed. Given that the underlying axiology, or aesthetics and ethics or guiding reasons) have primarily emerged from concrete problems and challenges in practice, I have made a number of different choices in the research methods.

I would like to point out, in particular, the terms of ‘action research’ and ‘action learning’ which are used in the context of the ‘Collaboratory’ and are applied in one specific written contribution (article 10). Action research can be defined as “orientation to knowledge creation that arises in a context of practice and requires researchers to work with practitioners. Unlike conventional social science, its purpose
is not primarily or solely to understand social arrangements, but also to effect desired change as a path to generating knowledge and empowering stakeholders. We may therefore say that action research represents a transformative orientation to knowledge creation in that action researchers seek to take knowledge production beyond the gate-keeping of professional knowledge makers (Bradbury Huang, 2010, p.1, original emphasis). In the context of a ‘Collaboratory’, action research suggests an active involvement of researchers in the step-by-step process of inventing a solution to a complex problem, in order to equip a prototyping practitioner effort with a necessary degree of rigor. Action learning, on the other hand, is defined by the Action Learning Associates (2015, p.1) as “a process which involves working on real challenges, using the knowledge and skills of a small group of people combined with skilled questioning, to re-interpret old and familiar concepts and produce fresh ideas.” This definition indicates the intention of a co-creative stakeholder engagement process such as a ‘Collaboratory’ as a space where also students can learn in a new, issue-based, setting which differentiates itself from the classical functional-based teaching.

Here is an overview of the particular methods used in the various articles in chapters 2, 3 and 4. Articles two to six and nine uses an interpretive approach, articles eleven to 13 are descriptive, articles 14-15 are illustration cases, articles seven and eight qualitative surveys and article ten uses action research. It is also appropriate to work collaborative in developing and creating new theory which is enriched by an active dialogue and exchange with co-authors. Many articles are co-written and have turned out better for this.

**Definition of Terms**

In the following paragraphs, the key terms are briefly introduced. When discussing such broad subjects as sustainability, responsibility and transformative space, it becomes quickly very obvious how nebulous many of these terms and their context are. Despite extensive efforts by fellow scholars to create definitions and better define fields, we still struggle to agree what ‘sustainability’ and ‘responsibility’ in the context of business means. It is important at the outset to acknowledge this situation and to acknowledge that what follows may at best shine a little light onto a still quite diffuse situation. As this article and the related chapters develop, I shall attempt –
where possible – to develop more comprehensive definitions, it is yet not necessary the key contribution of this thesis to achieve such a lofty objective.

**Business Sustainability**

Business sustainability is explored in the larger context of the idea of a ‘safe operating space’ for economic development within planetary boundaries and societal foundations (Raworth, 2012; Rockström, 2009). Such a context results in a vision for business that inquires how business positively contributes to a world where ‘everybody lives well and within the limits of the planet’ (WBCSD, 2010).

While sustainable development has been well defined, we are showing here the development of the term business sustainability. In section 1 of this chapter, we offer three definitions and suggest that a ‘truly sustainable business’ creates value not just for itself and its immediate stakeholders but for society and the world (referred to in our model as the outer world). Dyllick and Muff (2015) offer a Business Sustainability Typology which differentiates between business-as-usual and three different degrees of embedding sustainability in business. It thereby uses an input-output-process model thus covering business concerns (input), values created (output) and the organizational perspectives (process) as elements. Business Sustainability (BST) 1.0 differs from business-as-usual by broadening its concerns from a narrow economic to a broader three-dimensional concern (social, environmental and economic). BST 2.0 redefines the values created from a somewhat refined shareholder value to a broader set of values, the triple bottom line. BST 3.0, finally, leaps forward by shifting the organizational perspective. It moves from an inside-out view (how can my business reduce its footprint?) to an outside-in view (how can my business contribute to solving societal issues?) thus starting with sustainability challenges as a source to create value for the common good (including my business).

**Responsible leadership**

We are building on existing research to define the meaning and relevance of responsible leadership in a stakeholder society (Maak and Pless, 2006), and suggest a further relational role, namely one to oneself, in addition to the various other identified roles of a leader. This inner dimension represents an important emphasis of this chapter and builds on its use in organizational settings (Case and Gosling, 2007).
We may say that the purpose of responsible leadership is to enable business to act more responsibly towards society and the world, or to make business more sustainable. Connecting the two fields provides responsible leadership, an emerging theory and practice, with its (much needed) context or field of practice. Business sustainability becomes the ‘what for’ of responsible leadership.

Building on Liechti (2014) responsible leadership grid which features five competency dimensions (stakeholder relations, ethics & values, self-awareness, systems thinking, change & innovation) in combination with three action competencies (knowledge, skills and attitudes), we understand responsible leadership as Liechti (2014, p. 6) defines it: “a responsible leader possesses an advanced understanding of the interdependencies of the system and the own person, is recognized through an ethical and values-based attitude, is able to build long-term relations in particular with stakeholders and to take into account their needs, and advances change towards sustainable development”

**Bridging sustainability and responsibility**

First attempts to create a bridge between sustainability and responsibility have been made. In the field of business sustainability, some empirical research indicates that top management is a key influencing factor for driving towards and achieving business sustainability (Eccles, Ioannoui and Serafeim, 2014; Eccles, Miller Perkins, and Serafeim, 2012). In the field of responsible leadership, there are some attempts to connect leadership types with types of business sustainability (Dassah, 2010; Euler & Hahn, 2007; Pless et al., 2012; Sterling and Thomas, 2006; Svanstöm, Lorenzo-Garcia and Rowe, 2008; Wade, 2006; Wiek, Withycombe and Redman, 2011). Kaldschmidt (2011) compared leaders’ values with sustainability strategies in small and medium-sized enterprises and found a correlation between values of self-transcendence and openness to change with proactive sustainability strategies.

---

1 Anna Liechti developed this model in her Master thesis called “Collaboratories als wirksame Methode zur Ausbildung von verantwortungsvollen Führungskräften?” at the University of St. Gallen in Switzerland in 2014. A brief English summary of her work around the model is provided in Appendix 2 of this thesis, Here is a direct link to the study: [http://www.nachhaltigkeit.unisg.ch/~media/internet/content/dateien/instituteundcenters/nh/masterarbeit_annaliechti_08606733.pdf?fl=de](http://www.nachhaltigkeit.unisg.ch/~media/internet/content/dateien/instituteundcenters/nh/masterarbeit_annaliechti_08606733.pdf?fl=de)
The relationship between business, civil society and government

Since the first United Nations World Summit on Sustainable Development in Rio de Janeiro 1992, the balance between business, civil society and government in relation with the responsibility of our planet and the well-being of humanity has shifted. While until the nineties, societies largely depended on their governments to ensure societal well-being. Since ‘Rio 1992’ and the activities of the World Business Council of Sustainable Development, which was created specifically for this summit, business became an active stakeholder in protecting the planet and ensuring the well-being of its people. While civil society has expressed its demands mostly through non-government organizations, the emergence of the internet and social media have provided a new outlet for expressing its needs and pressuring not governments but increasingly also business, which is recognized as possibly the most effective stakeholder to find innovative solutions get back to a world where nine billion people live well and within the limits of the planet (WBCSD, 2010). In this context, the aspiration of business sustainability is a normative perspective that is expressed also in a Mintzberg’s latest book ‘rebalancing society’ (2015). The ‘common space of sustainability and responsibility’ offers a space for redressing this imbalance between the business, civil society and government sectors.

The common transformative space of individual and organizational development

In this work, I consider here the term ‘space’ as a real place where stakeholders meet to resolve a burning societal issue of their concern. Holding a space “implies the ability to create and maintain a powerful and safe learning platform. Holding a space is deeply grounded in our human heritage, and is still considered an important duty of the elders amongst many indigenous peoples” (Muff et al., 2013, p. 69). We have used this definition of space as the basis for the collaboratory. Space obviously has many other meanings that have little to nothing to do with what we are discussing here. Although no empirical research has been conducted yet, in our sample of a good dozen collaboratory-type events, anybody open to meet and discuss with others will be able to develop both from a personal as well as organizational perspective through such an involvement. We have noticed that company representatives with a personal connection to an issue or an interest to develop also from a personal perspective will be much more motivated and likely to return to their
organization to engage in an organizational change process as well. The model I propose in this chapter seeks to offer a conceptual starting base for more research in this area to better understand the dynamics of individual and organization development in a context of a societal development.

The term ‘Collaboratory’ first emerged in the late 1980’s in order to solve the challenge of geographic distance in large research projects and their related travel cost and time, as well as difficulties to keep in touch with other scientists, distribution of material among a large number of participants. The collaboratory developed from such a virtual ICT solution for scientists to a user-centered approach in the 1990s in connection with new forms of collaboration associated with globally distributed knowledge work. The emergence of open-source technology transformed the collaboratory into its next evolution in the first decade of the 21st century. Before its adoption by the 50+20 movement, the collaboratory had proven to be a viable solution for a virtual project organization. In its latest evolution in this current decade, we are now using the term as a methodology of collaboration beyond the tool- and data-centric approaches, using an issue-centered approach in service of real societal issues (Muff et al, 2013).

As such, we use the definition of the collaboratory as it was suggested in the book of the same name: “A collaboratory is a facilitated space open to everybody, and in particular to concerned stakeholders, to meet on an equal basis to co-create new solutions for societal, environmental or economic issues by drawing on the emergent future. It is a place where people can think, work, and learn together to invent their common futures. The philosophy of the collaboratory revolves around an inclusive learning environment where action learning and action research meet and where the formal separation of knowledge production and knowledge transfer dissolves. In our dreams, the collaboratory becomes the preferred meeting place for citizens to jointly question, discuss, and construct new ideas and approaches to resolving sustainability challenges on a local, regional, and global level” (Muff, ed, 2014, p. 12-13).

In what follows in this chapter, I shall look at three different elements of the proposed model in more detail: organizational development towards business sustainability, individual development towards responsible leadership, and the common space of responsibility and sustainability.
Section 1: Organizational development towards business sustainability

In this section, we will first consider the economic context of business before considering business sustainability in further depth. I then investigate how business can transform to become sustainable and conclude with important considerations of such a journey. Current economic thinking poses some of the biggest obstacles to change. It prevents quite effectively any serious attempt of creating value for the long-term, for more stakeholders than just one, while disregarding the context of serious environmental limitations and social short-comings. We are “facing ideological barriers when considering business sustainability from the dominant economic-centered paradigm” (Banerjee, 2011, p. 720). One such barrier consists of first and foremost looking for benefits that serve the organization in the form of new revenue potential and higher brand value on one side, or of reducing risk and cost factors on the other. It suggests that business can profit from sustainability while solving the social and environmental problems of the world through new growth opportunities (Hart 2007) or through opportunities for innovation (Nidumolo, Prahalad and Rangaswami, 2009). The underlying assumption is that business would not pursue environmental and social initiatives if these did not provide economic advantages to the business. Yet, scholars have argued that sustainability should not be ‘bolt on’ but ‘built into’ business (Eccles, Miller Perkins and Serafeim 2012; Epstein 2008; Esty and Winston 2009; Laszlo and Zhemembayeva 2011; Smith and Lensen 2009), creating value beyond the shareholders (Hart, 2007). In such a context, the belief that the positive impact of business for the world cannot be measured (Kallio and Nordberg, 2006) is in itself another critical barrier. As a result, a purely economic perspective and an ideological bias in favor of business success are constraining relevant contributions of business sustainability to bring about real and noticeable improvements to the state of the planet (Dyllick and Muff, 2015).

In this context, we also need to discuss the meaning of ‘organizations’ and understanding its role in the dynamics of the political economy landscape of today. On one hand, organizations today are defined much broader than solely in the business context. There are a multitude of organizations in the for-profit, the not-for-profit and the emerging social entrepreneurship domains. There are even a variety of government-type organizations. Responsible leaders are required in all of these organizations. On the other hand, while we focus here solely on organizations that are active in the business sector, a multitude of players and organizational forms
exist and emerge. Loosely defined, self-organizing, or networked organizations are engaging not only in what previously was defined as business-sector activities; increasingly a number of organizations work across sectors (Mintzberg, 2015). It has thus become difficult if not impossible to define and delimit the boundaries of an organization in the 21st century.

Business leaders are considered being a part of civil society and ‘organization’ may be cross-cutting the boundaries of the firm. We suggest in this paper, that stakeholders should meet to resolve burning societal issues and thus, indirectly, organize themselves around issues rather than the organizational entities they may belong to. If indeed, such a new understanding of a broader ‘organization’ emerges, this could become relevant in the context of systems building and resolving societal issues which we claim here is an additional duty of business beyond its shareholder focus.

What we need is for business to embrace its innovation power and to dare a quantum leap from a self-serving perspective (finding markets for products and services) to a system perspective (using its resources and capacities to solve burning societal issues). Increasingly, capitalism is put into question or completed with interesting adjectives (e.g. conscious capitalism) despite the perceived lack of viable alternatives. Moving from business-as-usual to truly sustainable business implies that an organization not only considers the so-called ‘triple bottom line’ (Elkington, 1997) or produces a ‘shared value’ (Porter and Kramer, 2011) but actually applies its resources, capabilities and innovation power to solve societal, environmental or economic challenges in its sphere of influence (Dyllick and Muff, 2015). Such truly sustainable business organizations have embraced their responsibility not only for their economic survival but also for the well-being of the system of which they are a part: the economy, society and the planet.

How do we differentiate between the many forms of sustainable business, from ‘green-washing’ to claims of ‘true sustainability’? The development stages in the discussions around business sustainability may well be captured by looking at three significant definitions, starting out with ‘refined shareholder value management’:

“Corporate sustainability is an approach to business that creates shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments” (SAM/PWC as cited in Dyllick and Muff,
Value creation that goes beyond shareholder value and includes also environmental and social dimensions is a further step in the development of BST. It is well captured in the definition by the Network for Business Sustainability: “Business sustainability is often defined as managing the triple bottom line – a process by which firms manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as people, planet and profits” (as cited in Dyllick and Muff, 2015, p. 9). Ultimately, truly sustainable business reflects on questions beyond these mentioned so far: “Truly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society and the planet. A Business Sustainability 3.0 firm looks first at the external environment within which it operates and then asks itself what it can do to help overcome critical challenges that demand the resources and competencies it has at its disposal” (Dyllick and Muff, 2015, p. 10-11).

![Figure 2: Dyllick and Muff (2015): The Business Sustainability Typology](image)

There are of course numerous existing typologies and models to consider business sustainability. On one hand, there are CSR-based models that focus on the journey from philanthropy to shared value or the triple bottom line. On the other hand, there are frameworks that look at a specific aspect of sustainability in business. Adams, Jeanrenaud and Bessant (2015) offer a three-stage framework for innovating towards sustainable business and consider three dimensions of innovation, the most advanced again being the triple bottom line approach and using B-Corporations as
an example. We are using the Dyllick and Muff model here as it is the only currently available typology that addresses the current macro-micro disconnect between the state of the world and corporate activities.

How can business become truly sustainable and achieve such complex shifts? The Dyllick and Muff typology (see Figure 2) sets an ambitious framework suggesting companies to go far beyond what has been considered ‘reasonable’ so far. The suggestion to shift the organizational perspective from inside-out (self-serving) to outside-in (system-based) outlines the next paradigm for business in the coming decade. It needs yet to be established how feasible it is for established and stock-quoted companies to embrace BST 3.0 which for the moment seems to be the space of pioneers and social enterprises. Until we have more clarity on this question, we have investigated the two earlier shifts to BST 1.0 and BST 2.0 in a follow-on article (Muff and Dyllick, 2015, see chapter 2). Given the importance to enable a massive transformation from business-as-usual towards BST 2.0, a challenge that concerns the large majority of firms and can result in tidal wave change, we shall summarize important lessons learned on this journey. Based on insights from Miller Perkins (2011), Eccles, Ioannoui and Serafeim (2014) and Pless, Maak, Waldman (2013), Muff and Dyllick (2015) summarized the elements of advanced sustainability companies (Figure 3):

1. Sustainability-oriented governance
2. Holistic reward systems including sustainability and innovation objectives
3. Stakeholder engagement with mutual trust
4. Higher level of transparency
5. Congruence between culture and strategy – flexible and externally-oriented
6. Inspiring and strong leadership
7. A trusting, collaborative, learning-oriented, valuing and open organizational climate
8. Organizational readiness for change
9. Clear and consistent external communication on sustainability
10. Longer time horizon

Figure 3: The 10 elements of advanced sustainability companies (Muff and Dyllick, 2015)

The above list demonstrates what we know about companies embracing sustainability as we know it today. Mohammed and Muff (2014) furthermore suggest that in order to create a more balanced incentive system, externalities have to be
included in corporate valuation models, thus providing a potential source of a longer-term competitive advantage, which can be considered a system-wide catalyst for a meaningful engagement of business in issues concerning society” (Mohammed and Muff, 2014). This short review offers some insights into the field of transformative changes ahead, leaving much hope and opportunity for companies to start adopting any number of these practices in their journey towards true sustainability.

Such an outside-in perspective as suggested by Dyllick and Muff (2015) requires not only a different kind of organization but also a different kind of leader in order to achieve these challenging shifts. This is where business sustainability and responsible leadership touch and connect.

**Section 2: Individual development towards responsible leadership**

Paulo Freire (1996) has dedicated much of his life to educate the poor in a way to enable them to shape their own reality and to transform their society as a result. He describes his method of problem-posing education as “a constant unveiling of reality” where the aim is to strive “for the emergence of consciousness and critical intervention in reality” (p. 62). This is precisely the challenge we face in developing leaders who are able to address future global challenges. How can we develop leaders who are able to look at the reality they live in in such a way that they feel enabled to influence this reality and change it for the better? We will need to think more broadly about what leadership may imply if this was indeed the aim. Such leadership has the development of consciousness at its heart, which in turn becomes the starting base for entirely new leadership competencies. This is suggested nicely by Hutchins (2014): “leading entails pioneering (adventurously exploring new possibilities), prototyping (continual questioning, testing, letting-go and questing forward), guiding (passing the benefit of one’s learning experience on to others), and accompanying (being alongside others as co-learners)… above all, it entails listening, sharing and leading from the heart” (p. 140). These competencies support a definition of leadership that is based on more than just a functional perspective and suggest an evolution towards a purpose-oriented perspective. Such a perspective is about more than just leading an organization, a project or a team effectively, it asks for what purpose and towards what end.
There have long been voices expressing concern about how leadership theory has been developing. In many ways, Western management theory which includes responsible leadership is quite remote from organizational reality. Already Chester Barnard (1938), a founding father of leadership theory, suggested that in order to understand the executive function we need to pay due attention to a variety of personal and inter-personal qualities such as feeling, judgement, proportion, balance and appropriateness. More recently, it has been argued that leadership theory needs to include ethical and moral aspects and may be considered belonging more to moral philosophy than to scientific theory (Korac-Kakabadse, Korac-Kakabadse and Kouzmin, 2001). Some say that the cause for this disconnect relates to the fact that the modern Western world has inherited an ethically denuded discourse of philosophy (Hadot, 1995). Chia (2003) explains this as follows: “the literature on management theory is replete with terminologies, typologies, factor analyses, conceptual proliferations and even ethnographic studies that purport to explain the goings-on in organizational life… What is not recorded, not identified and given a causal explanation, and hence not subsequently published in established journals or books is not considered proper knowledge. Unsurprisingly, many of these academic concepts and causal explanations often appear abstract and remote from the lived experiences of the practitioner world” (p. 960-961). This epistemological rupture between academic observations and practitioner priorities sets the basis for the theory-practice gap so often discussed in Western literature. It may be one of the causes of the mostly functional understanding of leadership.

When attempting to define what a responsible leader looks like or what it means to be a responsible leader, we either end up with types or states of leadership (Quinn, 2004) or long descriptive lists of ideal attributes or roles (see for example Muff et al., 2013). Critics point out the limitations of such approaches stating that these don’t necessarily help the development of responsible leaders since idealistic states or long lists of ideal attributes do not necessarily help leaders to adopt such behavior. They suggest that responsible leadership encompasses not only the individual but also the organizational and collective levels (Mirvis and de Jongh, 2010). The model proposed in this chapter (see section 4) takes this larger perspective into account by suggesting that the individual, organizational and collective dimensions (I-we-all of us) relate to responsibility, sustainability and the common space, as outlined in more
detail in the next section. In this section, we shall focus solely on the individual aspect of responsible leadership.

For the benefit of contextual clarity, it is useful to locate responsible leadership in a framework. Liechti (2014) has developed such a framework based on an extensive literature research in the domain of responsible leadership (Figure 4). A summary of her research is provided in Appendix 2 at the end of this thesis. The resulting competency grid suggests five competency dimensions and three leadership dimensions:

- **The competency dimensions:** a) stakeholder relationship skills, b) ethics and values, c) self awareness, d) systems thinking, e) actor for change and innovation.
- **The leadership dimensions:** a) knowing, b) doing, and c) being, also referred to as ‘knowledge-skills-attitudes’ (Euler and Hahn, 2007, p. 78), derived from German “Handlungskompetenzen”

<table>
<thead>
<tr>
<th>Action competencies (columns)</th>
<th>Knowing (knowledge)</th>
<th>Doing (skills)</th>
<th>Being (attitudes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competency dimensions (rows)</td>
<td>Stakeholder relations</td>
<td>Ethics and values</td>
<td>Self-awareness</td>
</tr>
<tr>
<td></td>
<td>Systems thinking</td>
<td></td>
<td>Change and innovation</td>
</tr>
</tbody>
</table>

Figure 4: The Responsible Leadership Competency Grid (Liechti, 2014)

**Enabling conditions**

Strength-based leadership development suggests that it makes sense to focus on inherent personal leadership strengths rather than focusing on potential weaknesses, thus questioning the value of nurturing lists of ideal attributes. While we know much about how to develop knowledge and skills, the real challenge lies in the development of attitudes. In line with the knowing-doing-being approach referred to in Liechti’s model earlier, Hubert Dreyfus (2001) outlines the journey from a novice status to mastery in any field as follows: while it is possible to advance from novice to competence by learning with abstract explanations such as reading a book, the more advanced levels of proficiency and mastery cannot be achieved without direct
unmediated involvement. He suggests that such proficiency and mastery can only be assimilated through an “embodied, atheoretical way” (Dreyfus, 2001, p. 40). We are entering the field of experiential learning.

Determining enabling conditions for the development of attitudes, requires observing responsible leadership in action in the many dimensions outlined above, or, how to identify ‘wise action’. According to Case and Gosling (2007), the practical application of wisdom can be concretely observed in the way we apply our will or desire in making judgments and the consequent action we take in response to events experienced. “When faced with a given situation we invoke an intention to respond in a particular way – for good or evil – and then translate the intention into action (mental, verbal or physical). This is the province within which one practices ethics and pursues virtue; the courage to change what one can (in pursuit of the good)” (Case & Gosling, 2007, p 95). Matsushita (1978) adds that a vital quality of management is the possession of a ‘sunao mind’; a mind that is free to adapt itself easily to new circumstances. While for academia the notion of wisdom is rather dubious, the two authors suggest considering the importance of the wisdom of the moment, opening an entirely new field of considerations and reflections. These include trans-personal or spiritual approaches in leadership development. There is some evidence in suggesting that spiritual exercises in personal development are indeed important. Case and Gosling (2007) point out that “each school of philosophy from the classical period onwards incorporated spiritual practices at the core of their various pursuits”. If we consider the broader ancient Greek philosophical concern with the ‘care of self’, stoic spiritual practices can be understood in this context. While ‘care of self’ is often misinterpreted as self-preservation in a narrow egocentric sense, it implies actually its opposite: “the abandonment of ego and cultivation of selflessness through service to others” (p. 96). The authors suggest that such ‘care of self’ leads to a sense of personal well-being as a result, even though this might appear contradictory from the perspective of current Western individualism. In a later chapter, the Collaboratory methodology provides a concrete practice for such care of self in our times. The underlying idea is that when focusing on serving others, the self is nurtured as well, implying that an important enabling condition for responsible leadership is the ability to serve others and to contribute to a greater good.

While most Western change management theory is built on a world-view that we move from one fixed state to another, some argue that Eastern philosophies offer a
different and more relevant perspective. Specifically, in Eastern philosophies everything is perceived to be in a constant flow of impermanence. The Aristotelian world-view which has come to dominate Western thought consists of linear causal thinking emphasizing ‘static, form and permanence’, as compared to Chinese correlative thinking emphasizing iterative movement, change and transformation (Hwa, 1987, quoted in Chia 2003, p. 960). Such correlative thinking derived from a sense of impermanence can also be observed through a prioritizing of action over words in the Eastern thinking. According to Chia (2003), the East has become skeptical of the capacity of language and rational analysis to capture the deeper aspects of the human condition. “Words are mere pointers to what lies beyond. In matters of deep comprehension one must be able to grasp the absolute by arriving at an unmediated penetration into the heart of things” (Chia, 2003, p. 962). This holistic description of a state of perception in the present moment explains the meaning of correlative thinking. It requires an ongoing harmonization of inner will with a concrete judgment or action. As such, it suggests the integration of what a Western mind might experience as an ‘inner world – outer world’ interaction. In brief, another enabling condition for developing responsible leadership lies in the ability to shift back and forth between judging/doing and reflecting/thinking. The development of this ability and the experience of such a flow require practice.

There are two additional and interrelated enabling conditions that lie at the heart of developing responsible leaders through experiential learning: the present moment and the sense of ‘being one with all’. Various authors suggest that the experience of ‘being one with all’ and working in the ‘here and now’ are central aspects of developing responsibility. While Eastern philosophy and Taoism in particular suggest a practice focused on ‘action through non-action’, a concept that is difficult to grasp in the Western cultural context, there are some useful examples of Western thinkers who express similar notions. Hutchins (2014) suggests that we learn to attune our soul to the “World Soul, the source of all authentic movement” (p. 146). Roberto Sardello (2006) calls this resonance of the soul of the individual with the World Soul of nature an “empathic resonance” (p.: 3). Without wanting to become too mystical, there is a natural connection back to Heidegger’s (1962) ‘being in the world’, which Hutchins (2014) puts in the context of personal development, suggesting that the presence of ‘being’ is an integral part of the activity of ‘becoming’. Taylor (2005) acknowledges this inner connection we all have with the universe, the infinite and
eternal, and highlights that we have somehow become alienated, wishing nothing more than regaining the wholeness we have lost. He argues that “we go about this in completely the wrong way, and translate the characteristics of our true spiritual nature into the realm of the ego” (p. 157). Transforming this intuition which we all possess from the realms of ego back to our true spiritual nature may be one of the core practices leading to increasing wise action. If ‘being’ is indeed central in ‘becoming responsible’ and being involves diving into the present moment to experience the world as something with which we are deeply connected, we can relate that acting in service of something greater (the common good) can be considered as an active experience of such a state. With practice, we may experience a sense of flow between such action and a reflective state.

We have now highlighted some critical enabling conditions for the identified leadership and competency dimensions of responsible leadership, particularly in the area of attitudes, agreeably the most challenging domain of leadership development. Our research confirms that among the attributes most desired by future employers, “having the right attitude” outweighs all other competencies, skills or attitudes, something that cannot be learned by reading books (Muff and Mayenfisch, 2014). It becomes clear that leadership is not something that can be learned without practicing and experiencing it, as well as reflecting on it. Liechti’s responsible leadership grid outlined earlier confirms other research findings we had conducted with executives with regard to key competencies sought in business graduates (Muff, 2012). These findings suggest a need for experiential learning in business schools to develop leaders for the future, examples of which are outlined in the resulting article. Furthermore, a more recent article focusing on a vision and transformational practice for business schools demonstrates the evolution of teaching and learning in business schools (measured by the degree of engagement), suggesting three orders of implementing changes in learning and teaching for globally responsible leadership with the Collaboratory as an example for third order change (Muff, 2013).

In conclusion, it is worth highlighting the emergent nature of such responsible leadership and such leaders. If philosophy is be interpreted as the ‘love for wisdom’, then a philosopher becomes “somebody on the way towards wisdom” (Hadot, 1995, p. 90), suggesting that in order to become wise, we need both the inter-action with the present moment as well as the retreat from such action to reflect on it. A continuum in moving back and forth between an outer world and an inner world; or in
other words: between an organizational engagement towards business sustainability and individual development towards responsible leadership.

Section 3: The common transformative space of sustainability and responsibility

In this section we shall consider how sustainability and responsibility, the focal topics of the past two sections, interconnect and relate. For this we relate macro with micro considerations, and attempt to describe the key elements of a common transformative space, focusing on establishing enabling conditions that make such a space an effective place for personal, organizational and collective transformation.

The challenge we face when looking at the massive societal, economic and environmental challenges, is how indeed do we connect individual effort with a collective engagement? While Eastern philosophies suggest that self-development, or work on oneself, is what is needed to change the world, the particular point in time we are living in, ‘decade zero’, suggests that we need to aim for more (even if we may expect little success) and scale up the degree of change by working on collective processes that may significantly increase the impact of any singular action.

If we agree that truly sustainable business needs an outside-in perspective (what we called Business Sustainability 3.0), a stakeholder engagement process focused on a particular burning issue involving both concerned businesses and other solution providers may be a potential avenue to elevate individual action into the sphere of collective action. Such a space happens in the ‘here and now’ and represents the intersection of responsible leadership and sustainable business. Nonaka & Konno (1998) stress the importance of such a “pure experience” in a space that can be “a physical, virtual or mental space” (Nonaka and Konno, 1988: 28). The ‘Collaboratory’ philosophy and methodology (Muff, 2014a) developed initially in the context of Vision 50+20 (www.50plus20.org) offers such a co-created stakeholder engagement process and space. In many ways, this Collaboratory forms the heart of this thesis in the sense that it represents the most concrete contribution and explicit demonstration of what a common space for sustainability and responsibility might actually look like. As such, the Collaboratory proposes a facilitated space for action learning and action research embedded in a process where stakeholders work on burning societal issues and relate both their organizational as well as their personal perspectives in a new
vision drawn in from the future and to be realized through prototypes in the here and now (Muff, 2014a).

What are enabling conditions to hold such a common space? Our research to date with the Collaboratory methodology suggests that the following important elements need to be present (Figure 5):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ability to design a collaborative journey</td>
</tr>
<tr>
<td>2.</td>
<td>Competencies in large group facilitation and related methods, such as open space, fish bowl, etc.</td>
</tr>
<tr>
<td>3.</td>
<td>Expertise in inviting relevant stakeholders to engage</td>
</tr>
<tr>
<td>4.</td>
<td>Wisdom in creating and holding the space, using ancient practices such as circle work and the talking stick</td>
</tr>
<tr>
<td>5.</td>
<td>Experience in whole person learning approaches</td>
</tr>
<tr>
<td>6.</td>
<td>Cooperative capacity for generative action, such as appreciative inquiry</td>
</tr>
<tr>
<td>7.</td>
<td>Methods for stepping into the emergent future, such as Theory U</td>
</tr>
<tr>
<td>8.</td>
<td>Transformative scenario planning skills for prototyping</td>
</tr>
</tbody>
</table>

Figure 5: Eight enabling conditions for the common space (derived from Muff 2014 Ch. 5-13)

Evidently, the list is neither complete nor finished; it is work in process attempting to describe the competencies needed to create a space where individual, organizational and collective ambitions will align. As such, it may well be called the “interconnection” between responsible leadership and business sustainability. The connection with responsible leadership and personal development occurs by inviting a participant to connect her inner values with the larger purpose that emerges while collectively working on a burning issue and diving into an ideal state where the issue is resolved. Back-casting from this ideal state, alternative prototypes are developed which allow a participant to connect with and concretely translate a personal vision into concrete action. The connection with business sustainability occurs when the participating individuals embrace the “outside-in” perspective, thus experiencing a moment where the purpose of their organization becomes one of being in service of resolving burning societal issues. Identifying one’s organizational competencies, resources, capabilities and technologies to solve such an issue becomes a key element when elaborating alternative prototypes, which also opens up options for deep change in their own organizations.

Let us now consider what happens at the intersection of responsible leadership (inner world) and true business sustainability (outer world), when individual and
organizational aspirations connect. There are many different motivations or events that cause an individual to strengthen an inner dialogue with the self. There are equally many reasons or triggers for a responsible leader to take on the challenge to transform business to become more sustainable - for the benefit of society and the world. Our interest here is to focus on one specific occurrence, when both movements (inside-out and outside-in) might occur: the moment when individual and organizational aspirations meet for the purpose of resolving a larger societal issue. It is in this moment that a perspective shift occurs for both the self-interest (inner world) and the business-interest (outer world) in service of a larger cause. Or as expressed previously, it is the moment when the three levels of responsible leadership (the ‘I’, the ‘we’ and the ‘all of us’) connect. This shift results in a temporary detachment from both the self-inspired and the business-motivated perspectives to a higher, more inclusive perspective. Or in other words, a bridge is being built for the individual and organizational perspectives to transform into an inclusive “all of us” perspective.

![Figure 6: Connecting responsibility and sustainability to the 3 levels of responsible leadership (I-we-all of us)](image)

This shared space of responsible leadership on an individual level and sustainable business practice on an organizational level (see Figure 6) emerges from a meeting of the shared aspirations in service of solving larger societal and environmental challenges. It reflects all three levels of responsible leadership: the ‘I’ representing the individual level, the ‘we’ reflecting the smaller group level, and the ‘all-of-us’ reflecting the larger collective level (North and Aspling, 2014, p. 221).

The “present moment” in such a temporary detachment from self-inspired or business-motivated perspectives is of great importance. Hutchins suggests that such a paradigm shift involves moving from antagonistic to participatory, from narcissistic
to empathic, materialistic to soulful, ego as master to ego as assistant, from dominator to partner, from patriarchy to reciprocity and from separation to inclusion. It may make sense to describe this moment as "being with the world" rather than Heidegger's more generalist "being in the world", suggesting more awareness of the present moment than Heidegger had intended with his focus on the subconscious. Freire (1996) maintains that the traditional educational systems may well keep people 'in the world' but not 'with the world or with others' with "the individual being a spectator… not a conscious being" (p. 56). Freire points out that "in problem-posing education, people develop their power to perceive critically the way they exist in the world with which and in which they find themselves; they come to see the world not as a static reality, but as a reality in process, in transformation… Hence, the teacher-student and the students-teachers reflect simultaneously on themselves and the world without dichotomizing this reflection from action, and thus establish an authentic form of thought and action" (p. 64, original emphasis). We may well consider that issue-centered (or problem-posing, as Freire called it) education affirms participants as "beings in the process of becoming – as unfinished, uncompleted beings in and with a likewise unfinished reality. Education is thus constantly remade in the praxis. In order to be, it must become" (p. 65, original emphasis). The developmental perspective cannot be overemphasized.

We use the word 'emergence’ as a metaphor to describe what happens when the two circles meet and connect and what happens as a result. We refrain from using the word ‘journey’ as we have no evidence suggesting that such a shift cannot also happen spontaneously in the moment, without prior journey. And the ‘all of us’ perspective seems to function as a trigger for bringing together and connecting the two otherwise separate fields of responsible leadership and sustainable business. The ‘making one’s action beautiful and the rest will take care of itself’ may be seen as an alternative worldview (substantive rationale) which allows for broader and more mysterious interpretations of what it takes to make this multi-dimensional transformation happen.

Returning to the broader context, we summarize this section by suggesting that Greek philosophers talked about what it takes to ‘be in the world’ and defined a philosopher as “somebody on the way towards wisdom” (Hadot, 1995), thus combining both the development of a philosophical discourse and philosophy as a way of life. We have expanded this thought by suggesting that a responsible leader
with a capacity to transform business to become truly sustainable need not only to be passively *in the world*, but is distinct in her ability to actively be *with the world*, thus influencing her environment, not just being subjected to it.

Having considered all three elements of the proposed model, namely business sustainability, responsible leadership, and their common space, we shall now discuss the model as a whole.

**Section 4: The model of sustainability and responsibility**

This section is structured to first outline the model – the central contribution of this chapter – in all of its elements and dimensions. Subsequently, it considers sustainability, responsibility and the common space, as well as the inherent movements implicit in the model. We then investigate areas of application of the model, and consider both the underlying rationale and its limitations. The model builds on the idea of an ‘inner world’ of personal development and an ‘outer world’ reflected in organizational development. It addresses the need to transform the way we educate and develop leaders (Schumacher, 1973).

In the context of the modern Western world, the growth paradigm that has been defining ‘the outer world’ of markets, competition and consumers has had a mirror effect in the way philosophers have described ‘the inner world’. Today, personal development is as much shaped by the metaphor of growth that it has become impossible to consider a person accomplished or finished at any stage before death. We idolize the notion that we should constantly be growing, learning and developing. This notion seems very natural in a Western cultural context yet it is as recent as economic growth has taken over in defining economic development in the 20th century. Outer and inner worlds have become mirrors in the way we consider the world and ourselves.

One may consider the model to reflect a separation of the inner and outer worlds by depicting them as distinct entities separated through a boundary. Such is by no means the intention of the model. It would be more appropriate to claim that the inner may just be a different vibration of the outer and that a separation of any kind is entirely artificial required only by the poor attempt of visualization. Describing these different states of vibration as inner world and outer world is thus just one way of
Looking at this relationship and interconnection as it is difficult to define the limits of ‘me and other’ (Chia and Holt, 2009).

Connecting the two elements of organizational and personal development, of sustainable business and responsible leadership, including their common space, is the central purpose of this chapter. The proposed model (Figure 7) is schematically represented by a continuous movement between the inner world (reflecting personal development towards responsible leadership) and the outer world (organizational development towards true business sustainability). The common space at the center represents the space where inner-driven values-based responsibility (or wisdom) is applied in a co-creative stakeholder engagement process in service of the common good (expressed in the business sector as ‘truly sustainable business’).

**Figure 7: The common space of responsibility and sustainability**

Assuming a common space for responsibility and sustainability involves a number of fields and disciplines. A discussion of such a common space cannot be held without mentioning the complex fields of personal and organizational change, or acknowledging the political and sociological dimensions concerned with large scale social change, as well as psychology and philosophy as fields related with personal transformative change or development. We shall uncover some of these dimensions in the next section, albeit only as far as the limits of this chapter permit. Chapter 4 of the thesis will provide further insight into this discussion.

The proposed model contains and represents a number of elements. To start with, it covers the inner and outer world aspects, which can also be considered as the two disciplines of a) responsible leadership and b) business sustainability, or as two
levels of a) individual and b) organizational development. These different dimensions of the left and right circular elements are contained and embedded in a continuous movement (infinity eight) representing the emerging nature of transformation that occurs at the interplay of the two individual circles. Furthermore, there is an empty central space in the middle of the two circles: the common space of ‘here and now’ which seeks to express what a purposefully facilitated space might look like. In this transformative space we find personal and organization development converging to a higher aim of resolving societal issues, thus interconnecting the ‘I’ (personal), ‘we’ (organizational) and ‘all of us’ (societal) levels described earlier in this chapter.

The model describes the emerging personal and organizational transformation and how the development of one influences and impacts the other. To depict the evolving nature of this emergence, we use the symbol of infinity (a sleeping eight). The model provides a conceptual framework connecting efforts which aim to develop responsible leaders with efforts that seek to enable business organizations to become truly sustainable.  

The empty space in the middle signifies the common transformative space of responsible leadership and business sustainability and will be filled for practical purposes by the Collaboratory, originally developed for the 50+20 vision. This common space might well be a challenging concept. Hutchins (2014) offers the following explanation: “space is not empty distance between things but a limitless intangible receptive ocean, which permeates within, throughout and beyond all tangible form. Space is that presence literally everywhere within all forms interplay in a co-creative evolutionary dynamic… Nothing is entirely separate” (p. 148). Cooper (1976) contributes by suggesting an ‘open field’ which provides primordial knowing that inspires intervention, consciousness and understanding. And Chia (2003) adds: “True immediacy is that metaphysical ground of pure experience from which consciousness and thought, identity and difference, individuality and meaning, self and other emerges” (p. 971). While Hutchins, Cooper and Chia talk about the nature of reality, the Collaboratory describes a specific human practice. Chapter 4 of the thesis provides more background to this discussion. Important is to understand that such a common space is both a real and imaginary place where organizational and individual ambitions meet in service of a higher collective aim.

2 The model was originally inspired in a creative dialogue with painter and philosopher Klaus Elle (Germany) during a three-day creative painting workshop in Hamburg in January 2014.
Returning to the two other elements of the model, let us consider the underlying challenges of organizational development towards sustainable business and personal development towards responsible leadership. Leadership development is often void of a broader societal purpose and may as a result lack a concrete application. We develop leaders but we rarely ask what for? We don’t take time to question the purpose of leadership beyond making leaders more efficient or effective in running their organizations. Business sustainability, on the other hand, has been a victim of a mostly technocratic approach attempting to “engineer” business to become sustainable without taking into account the role and importance of leadership although it is hard to imagine how implementing sustainability in business could work without appropriate leadership. This results in two independent, if not closed circles as shown in Figure 8).

![Figure 8: Responsibility and sustainability as independent closed circles](image)

Furthermore, the model contains two movements with two accompanying challenges. We are using the ‘infinity 8’ as a descriptive device to demonstrate these challenges. The ‘infinity 8’ movement circles and embeds the two closed circles. It includes on the right side an outside-in movement emerging from an outer world engagement. This engagement usually comes from a desire to change the world, which is related to an openness to change oneself. It includes on the left side an inside-out movement as a result of an inner world engagement. This usually comes from an increased awareness and consciousness of oneself, which may result in a wiser engagement in the world (see Figure 9).

![Figure 9: The two movements of the model](image)

The proposed model suggests a virtuous movement which results in an emergence of leadership wisdom resulting in business as a positive contribution to society and the world. Such logic may apply using an instrumental rationale (Weber et al., 1991) whereby responsible leadership is instrumentalized for the goal of making business
sustainable. This logic suggests that as a leader becomes more responsible, she behaves in ways that are wiser. And as business is being led and supported by wiser leaders and employees, it will make wiser choices in terms of its contribution and positive impact on the world. Both these movements will result in a virtuous circle which is driven by the increasing consciousness of its employees and stakeholders. Pondering about why this happens so rarely in ‘real life’ would - unfortunately - exceed the limits of this chapter. A substantive rationale (Weber Gerth and Mills, 1991), on the other hand, would posit that it suffices to work on becoming a responsible leader irrespective of the outcome, even if it results in a retreat from worldly responsibilities, which may be interpreted as a lack of fulfilling one’s ‘duty’ to serve in a capacity of a responsible leader.

There are two challenges associated with these movements, which would result in a vicious circle. On the one side, the outside-in movement emerging from an outer world engagement may result in using force and power to change others rather than oneself in order to change the world, thus interrupting the infinity eight movement suggested here. On the other side, the inside-out movement emerging from an inner world engagement may result in a wish to retreat from worldly responsibilities rather than a wiser engagement in the world, thereby also interrupting the suggested infinity eight movement. The model anticipates a virtuous rather than a vicious circle, this assumption is built on the developmental theory further developed in the next section.

Having reviewed the virtuous and vicious circle of the model, let us also discuss the role of the ‘Collaborator’, the person who participated in a ‘Collaboratory’. As we have defined responsible leaders to be persons who aim to act more responsibly in relation to society, such persons may choose to ‘co-labor’ in a collaborative laboratory such as the ‘Collaboratory’. All five dimensions of responsible leadership come into play in our model and in this attempt of drafting the role of the ‘Collaborator’. Most prominently, the ability to engage with stakeholders, an understanding of the systemic dimensions, as well as a drive for innovation and change, are required to effectively collaborate with others in order to co-create solutions to complex problems. The remaining two dimensions of the underlying ethics and values, and an awareness of myself frame the personal dimensions of a ‘Collaborator’ in such a co-creative engagement. A ‘Collaborator’ doesn’t just bring ‘all of himself’ to such a co-creative space, he also represents an organization and speaks and acts on behalf of
it in this space. The ‘Collaboratory’ offers thus one of certainly many ways for a person to bring in both personal and organizational dimensions to solve a complex problem.

While we have explored above how a Collaborator may or may not indeed evolve towards a more responsible leader and contribute to the transformation of his organization towards business sustainability, let us outline also how ‘Collaborators’ might transform society. Hassan (2014) points out the important impact of social labs over the past 20 years across the world in terms of how they have addressed societal issues many stakeholders were concerned by but for which nobody in particular felt responsible. Given our current renegotiated space between the public, private and so-called plural sectors (Mintzberg, 2015), there is an evident need for new types of constructed spaces to convene relevant stakeholders to solve complex and multifaceted problems that no single sector or player can address or solve alone. ‘Collaborators’ as such contribute to society by engaging in new, constructed, spaces that are co-owned by all those who follow the call to meet in order to solve a specific issue previously not clearly owned or addressed by anyone player in particular. We could claim that the need for such ‘Collaborators’ will raise with the increasing complexity of emerging societal, environmental and economic challenges in the coming decades.

How could this model possibly be used? There are four applications that could be envisaged:

1. **A contextual framework for personal transformation:** Case and Gosling (2007) suggest that the development of self is closely linked to a cultivation of selflessness, which is achieved not only through a care of self, but necessitates a care for others, care for community, and a care for the city. “The spiritual disciplines required to attend to and govern one’s own passionate responses in the moment reveal a wisdom that becomes the basis for interacting ethically with others” (p. 97).

2. **A contextual framework for organizational transformation:** While little is known about the interconnection of individual and organizational change, we have discussed some considerations that suggest connecting the two might well enhance organizational transformational efforts. One concrete example of how the Collaboratory method can be used in a complex organizational change setting is provided by Mirvis (2014) and is further discussed in chapter 4 of the thesis.
3. A philosophical framework for multi-stakeholder change processes in complex situations: As we shall see in the next section, there is a large selection of facilitation approaches dealing with large scale system changes of all kind. Freire (1996), Illich (1971), Arendt (1958), Bauman (2007) and Isaiah Berlin (1958) have all built theories and practices on how to consider such complex situations. The proposed model, however, should help building the bridge of such ‘all of us’ activities with the individual ‘I’ and the organizational ‘we’ dimensions. Gilbert (2014) supports this interconnection by suggesting that the “creative potential of the collective… flourishes through diverse individuality” (p. 27). It is “not simply about giving greater diversity of voices a chance to be heard, but also embracing the actual right to take part in decision-making, a collective individuation where individuals collectively acknowledge differences in understanding each other’s perspectives, leveraging the tensions for continual emergence of new and better ways forward: democracy as an emergent process of becoming” (Hutchins, 2014: 164).

4. A methodological framework for effective learning and teaching in the classroom: Further advancing Vision 50+20, this model may provide concrete support for transformational learning and trans-disciplinary learning, as well as inspiring new inclusive stakeholder practices and field-work.

Obviously, this conceptual model carries numerous inherent limitations, which need to be addressed. As hinted at before, the model is based on an instrumental rationale rather than a substantive rationale (Weber, Gerth and Mills, 1991). As such, being more responsible is desirable as a means to create a better, more sustainable world (instrumental rationale), rather than a perspective where being responsible is a goal in itself which does not need to translate into a particular action (substantive rationale). Much Western reasoning builds on an instrumental rationale (e.g. if “spirituality” is proving useful, then we can use it to help increase employees productivity, rather than saying, spirituality is valid for its own sake and thus worth supporting). The model may also lead to the creation of individuals with competencies of responsible leaders, yet without a related sense of duty or desire to act out their responsibility. This is more frequently observed in Eastern reasoning, for example in Taoism where ‘wu wei’ acknowledges that the place from which we act is detached from the outcome, reflecting a self-sufficiency of action. While it is difficult to measure the importance of this notion, there is a need to outline this inherent paradox of the proposed model.

As we shall see in the next section, individual and organizational development theories provide a solid counterweight to such a rationale. These theories apply to our model by acknowledging that personal development is envisaged to advance
towards responsible leadership, while organizational development takes place in order to advance towards true business sustainability. Such a developmental perspective allows a focus on the notion of transformation that occurs in this infinite flow of an inner and outer world interacting. It may be used by individuals, organizations, facilitators and teachers to find orientation in complex situations.

Section 5: Enabling individual, organizational and collective transformation – the Collaboratory

In this section, we frame the model in the context of organizational development theory. We consider methods and approaches that can strengthen the common space of individual and organizational development (the I-we-all of us) and will evaluate the Collaboratory methodology for its effectiveness to create a common transformative space for responsibility and sustainability.

As we shall see, Jordan (2014) allows us to differentiate between various structured method and skilled facilitation approaches, highlighting the importance of building and creating a space. And Liechti (2014) offers a summative responsible leadership competency grid framing the educational challenge of developing responsible leaders, initiating a discussion of the role and purpose of the business school of the future. Lastly, the “Collaboratory” methodology illustrates such a transformative space. It was built essentially but not exclusively built on Theory U (Scharmer, 2009). Comparing it against Liechti’s model, we can discuss if and to what extent individual, organizational and societal transformations are interrelated and interdependent.

When looking at how organizational development (OD) understands complex, organized human systems, it is interesting to note three significant shifts: a shift away from gathering empirical data to making meaning (Gergen, 1978), a switch of attention from the past to the future (Whitney and Rosten-Bloom, 2010) and the emerging importance of collective deliberation. If we presuppose, as many OD practices do, that one can invent possible futures, “change” is seen in an entirely new way. Namely, that change is not a fatality but a destiny we can and must shape. We may thus not only be able to influence change, but ‘be the change’. As a result, interventions now involve a deeper sense of being able to act responsibly. One could thus argue that OD in many ways interprets organizational decision-making in a larger context of building desirable futures with some practices (e.g. Appreciative
Inquiry) specifically mentioning sustainability performance as its base line (Cooperrider, Whitney and Stavros, 2008). In this sense, the common space of responsibility and sustainability in the model outlined in Figure 7 represents just that. A field of change where individual and organizational efforts meet both with a desire to act responsibly and in service of a better world.

Freeman (1984), also known as the father of stakeholder theory, brought together a range of insights from the fields of systems theory, organizational theory, strategic management as well as CSR, to argue the importance of business to engage with its stakeholders. Initially, such an engagement was largely understood to serve the organization itself by defining better products and services, in recent years however, there is an emergent understanding of the expectations of stakeholders that business involves itself in solving societal issues. Our model connects personal development and organizational development and it suggests that in inter-action there is an emerging transformation of the former towards responsible leadership and the latter towards truly sustainable business. At its center is a common space where individual and organizational aspirations meet in service of solving “all of us” issues. A developmental perspective offers insight both into the individual dimension of leadership as well as into the collective dimension of societal transformation (Erikson, 1982; Gebser, 1991; and Graves, 1970). Laloux (2014) recently attempted to bridge individual and organizational development and provides a model to explain the progression of organizational forms in the context of personal development. They suggest an upward spiral whereby responsible leadership and business sustainability may build on each other to reach higher levels of responsibility and sustainability.

Developmental theory assumes that there are many dimensions of human development (cognitive, moral, psychological, social, spiritual) and that individuals, organizations and societies evolve in an uneven way across these. Importantly, developmental theory differentiates between a person “being” at a certain level of development and a person “operating from” or between a certain level of development. While the former invites easy judgement and potential exclusion of another person, the latter leaves room for vertical development for the person (Laloux, 2014, p.39). A review of stage-based models in organizational development (including Wilber, Beck/Cowan, Barrett and Torbert) shows that all of these models focus on a transformative development both in an individual and organizational sphere (Cacioppe and Edwards, 2005).
If we compare Laloux’s (2014) stage-based organizational development model with Liechti’s (2014) five dimensions of responsible leadership, we observe that her dimensions only emerge in the latest-stages of OD, namely the ‘pluralistic’ (green) or ‘evolutionary’ (teal) stages (see Figure 10).

**Figure 10: The development stages of organizations & the emergence of responsible leadership competencies**

An organization that operates from a pluralistic worldview is characterized by a strong empowerment, values-driven, stakeholder-model that mirrors Liechti’s competency dimensions: a) actor for change and innovation, b) ethics- and values-based and c) stakeholder relationship skills. Laloux (2014) calls the latest emerging stage of OD ‘evolutionary’ and describes organizations operating from such a worldview as organizations that have moved beyond hierarchy and consensus to employ a self-management approach, inviting employees to bring everything to work. They promote wholeness and understand that the organization has a life of its own including an unfolding, or evolutionary purpose. Such organizations embody Liechti’s dimensions of a) actor for change and innovation, b) self-awareness and c) systems thinking. These pluralistic and evolutionary stages of OD are described as emerging post-modern business paradigms and compared to the dominant business paradigm, the achiever stage. It should be pointed out that each phase has its own bright sides and dark sides, each has healthy and unhealthy expressions and that an organization typically is a mosaic of several stages. Furthermore, it is important to note that both Liechti’s and Laloux’s models are analytical, neither of them is claiming that people or organizations actually go through these stages. There is no such thing
as advancing as if one would walk up a staircase and as if they were immune to move down again.

With this understanding of developmental progress on individual, organizational and societal levels, let us investigate now the implications of such an insight for educators seeking to enable developmental shifts in individuals and organizations. We have previously addressed the need to develop responsibility in leaders and the challenge for business to become sustainable. This poses significant challenges for management education. It will indeed need a radically new vision of management education.

To achieve this, we need to shift from an approach whereby “teaching is information delivered by an authority to one where students are drawn into creating, critiquing and discussing the world we inhabit” (Moore, 2011, p. 181-182). Using the proposed model, we could say there is a disconnect between the inner and the outer world and the related models for development. Or, as Mintzberg (2005a) has argued so well in ‘Managers not MBAs’: there is too much management education, teaching the wrong things in the wrong ways to the wrong people at the wrong time. Scharmer and Kaufer (2013) propose cross-sector hubs bringing together stakeholders from business, higher education and local community to “form hands-on innovation where conversations and relationships combine the intelligence of head, hands and heart”, allowing for “consciousness-based action research, blending mindful, heartfelt, improvisational co-innovation” (p. 244). Eisenstein (2011) furthermore envisions such peer group learning as “decentralized, self-organizing, emergent, peer-to-peer, ecologically integrated expressions of political will” (p. 187). Hutchins (2014) adds that such “peer group learning and creative commons can now be readily supported through technology platforms and legal frameworks applicable not just for education but also for business and social change” (p. 163). Schumacher (1973) points out that the condition the West is in may in part have to do with its wrong approach to education. For Schumacher, the wisdom produced by education is paramount, thus “becoming truly in touch with our centres, where our daily conduct shows a sureness which stems from this inner clarity” (p. 77). Or as Hutchins (2014) says: “a wisdom which allows each of us to be true to our authentic nature while enhancing the quality of our interrelations” (p. 160). The 50+20 vision (Muff et al. 2013) has embraced this challenge and has provided a new purpose for business schools starting from the premise of what it takes for all of us to live well and within the limits of the planet.
Derived from this higher purpose as a new starting point, 50+20 outlines not only the challenges but offers a model and approach for how to structure and develop management education that fulfills such higher aims. Chapter 4 provides more detail on what is being done and lessons learned in this area.

So what might it take to effectively create such a powerful and safe meeting space? Jordon (2014) pointed out that external support to create such spaces for stakeholder groups whether in the form of a structured method or skilled facilitation can be described in terms of ‘scaffolding’, a term that has been used widely in the study of learning and skill acquisition including child development (Hmelo-Silver, Duncan and Chinn, 2007; Stone, 1993; Wood, Brunner and Ross, 1976). “Metaphorically, the verb ‘scaffolding’ refers to the provision of the external support a person or a group may need in order to build skills, learn new things, construct a solution to a complex problem or develop a strategy for attaining a desired goal” (Jordan, 2014, p. 2).

Jordan has evaluated a large range of methodologies, methods and approaches and found that not only conditions can vary along many different dimensions but moreover that facilitators often have more or less articulated ‘theories of change’ that guide their practice and result in very different process designs. He remarked also that many different terms are being used for similar methods. ‘Change methods’ or ‘whole system change methods’ (Holman, Devane and Cady, eds, 2007) is used in organizational settings, ‘large group or large scales methods or interventions’ (Bartunek, Balogun and Do, 2011; Bunker and Alban, 2006; van der Zouwen, 2011), ‘participators or collaborative decision-making’ (Kaner, Lind and Toldi, 2007), ‘problem-structuring methods (Rosenhead and Mingers, 2001), ‘dialogical processes’ (Pruitt and Thomas, 2007), ‘deliberative methods’ (Gastil and Levine, 2005, Abelson, Forest and Eylesa, 2003), to mention the most relevant ones. Jordan (2014) has grouped these methods and approaches into five useful categories: change methods, problem structuring methods, deliberative democracy, management of public disputes and textbooks on group facilitation. He identified six categories requiring scaffolding: attentional support, relationship, attitudes/feelings, understanding, empowerment and creativity, and decision-making & coordination of action (p. 9-11). The collaboratory methodology would best fit into the category of “change methods” and has touched upon all of the six identified categories that require scaffolding, thus indicating the need to better understand how to create such a safe and powerful learning space.
It remains to be discussed and evaluated to what degree such spaces can be constructed and conceived across different political economies around the world. While the stakeholder engagement process was of key importance to transform the Apartheid regime in South Africa, there is only early positive evidence about how other systems might be able to handle such processes. The World Economic Forum (WEF) together with the Value Web has been working on a concrete type of stakeholder engagement process in the Middle East, China and Central America, seemingly able to apply a methodology across different political economies (Burck, Rueger and Frick, 2014). Zadek (2001) argues that the new economy of corporate citizenship has brought forth a new civil corporation, while Hassan (2014) highlights that ‘social labs’ to solve complex social problems have emerged over the past two decades across the world.

We shall now study in depth the Collaboratory, a methodology which covers a large number of methods, tools and approaches included in the wide range of facilitation options. The Collaboratory is by no means the only methodology available, but it is a very interesting one that we have been using extensively in different settings. We want to evaluate to what extent ‘scaffolding’ helps to create an effective common space for responsibility and sustainability (see Figure 11).

While there are manifold applications for the Collaboratory (Muff, 2014a), research to date has allowed us to evaluate the effectiveness of this methodology in one particular setting, namely in the context of a Master’s course at the University of St. Gallen where three groups of students work on three sustainability issues together with concerned external stakeholders using exclusively the collaboratory method over

Figure 11: The role of the collaboratory (and potentially of a business school) in the journey of transformation
a period of 13 weeks (Dyllick and Muff, 2014). In this case, the Collaboratory included the following attributes (Figure 12):

1. A pre-determined central issue to be understood and resolved by two relevant stakeholder groups
2. A pre-determined facilitation approach using large and small circles and fishbowls interactively to ensure all stakeholders are heard and the issue is understood in all of its dimensions
3. A series of sessions over a period of time (in this case, 4 sessions during 3 months)
4. Clearly defined support tools, most notably the “speaking stone” to ensure discussion instead of debate (the person holding the stone is the only person allowed to speak)
5. A pre-determined support group that facilitates, summarizes, leads sub-group circles, and holds the overall space
6. A visioning process that unites all stakeholders in a future situation where the issue is resolved
7. A back-casting exercise that translates solutions from the future vision to prototypes that can be implemented now
8. Small groups working out prototype ideas to implement solutions identified in the visioning process
9. A separate reflection process for participants to reflect on their individual, team and large group learning
10. A detailed task list for a large support group to organize the events including identifying, attracting, and inviting relevant stakeholders for the three sessions (with support of the organizing professor)

Figure 12: The ten attributes of a Collaboratory (based on the St Gallen experiment, Dyllick and Muff, 2014)

This list is a summary of a descriptive article outlining the process of such a Collaboratory (Dyllick and Muff, 2014), which is based fundamentally on the phases of Otto Scharmer’s Theory U (Scharmer, 2009, Scharmer and Kaufer 2013). It seeks to show the different dimensions and aspects which ensure that a Collaboratory brings the anticipated results. Needless to say, it is not meant as a foolproof list which can be used in any kind of circumstances and it is important to note that further research may well indicate that Collaboratories work best when stakeholders actually want to achieve something together, and may work less well in political decision-finding processes.

Using the Liechti (2014) model of responsible leadership grid, we evaluated the development of leadership competencies as a result of the Collaboratory method used in class through a survey taken before and after the course as well as through the qualitative assessment of a comprehensive reflective paper written at the end of
the course. It was done for two consecutive years, with the second year currently being evaluated. We have some preliminary insights into how the Collaboratory as a scaffolding method helps in developing competencies (see Figure 13). The results underline a commonly known fact that it is significantly more challenging to develop skills and attitudes than simply disseminating knowledge. The collaboratory method did very well in the area of knowledge development (many green fields in Figure 13) and, albeit to a lesser degree, in skills development. Little is known yet about its effectiveness in changing the attitude of students, which certainly will need to be monitored over a longer time period. Most recently, a report published about the education for sustainable development providing concrete guidance for UK higher education provider (The Higher Education Academy / QAA, 2014) offer a similar model which provides operationalized learning outcomes for students and thus a useful starting base for more exploration. More and different research will be needed here.

<table>
<thead>
<tr>
<th>Degree of mastery (columns)</th>
<th>Knowing (knowledge)</th>
<th>Doing (skills)</th>
<th>Being (attitudes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competency dimensions (lines)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder relations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics and values</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-awareness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems understanding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change and innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 13: Responsible Leadership competencies improved by the Collaboratory

Certainly there are limitations to the Collaboratory approach, as well as to possibly any scaffolding methodology, beyond the fact that their impact is difficult to measure. While we have early indications of the effectiveness of developing individual leadership skills with the Collaboratory method, little is known about its effectiveness for organizational development. Mirvis (2014) provides an insightful example how the Collaboratory method can be applied in an organizational change setting outlining a remarkable situation in Unilever Asia, yet there is ample room for more work in this domain.

So how does such a transformation happen? What do we know about the inter-play of different scaffolding elements, facilitation techniques, and about the inter-action of
individual, organizational and collective transformation? We have outlined in an earlier section the eight enabling conditions (see Table 1) that make a Collaboratory work. These may be considered as early pointers at best. Much further research is needed.

As suggested earlier, the process of transformation that occurs between the ‘inner’ and the ‘outer’ world can be considered either as a journey or as an emergence. Having carefully considered the difference of the two, ‘emergence’ appears more suitable. The ‘journey’ metaphor implies a certain worldview which frames life as a journey, as famously introduced by Lao Tzu (1994): “a journey of a thousand miles starts under one’s feet” (chapter 64). A journey implies a sense of ‘if…., then…’, yet there is little to no knowledge of the causal relationships between inner work and outer world action beyond acknowledgment of their inter-dependency. There may well be immediacy rather than a sequence of occurrences. Furthermore, a ‘journey’ would unnecessarily strengthen the implied instrumental rationale which informs the model. ‘Emergence’, on the other hand, leaves room for the unknown and acknowledges the author’s insufficient understanding of causalities. The interconnectivity of a state of being called ‘being-one-with-all’ is central to this model and is represented in the central empty space and is well developed in quantum physics (the unified field). It shows the complexity of being and action and the resonance not just for one individual or an organizational life, but as a systemic truth on a much larger transcendental scale.

**Contribution, limitations and further research**

This chapter has hopefully added some value by placing the fields of responsibility and sustainability in the context of the current historical challenge of transforming business and the economy from its dominant form of capitalism to a new form which will enable 9 billion people to live well and within the limits of the planet. Klein (2014) makes a convincing call for a state of the world that can be considered to be at the edge of deep change. The chapter implicitly assumes that there is an active role for business in such change.

The key contribution of the chapter lies in the interconnection of two fast evolving fields of research: responsible leadership and business sustainability, providing a model for practitioners and scholars to reflect on and debate the larger forces and
dynamics at play. I argue and suggest that responsible leadership needs a purpose (what for) and that business sustainability offers this directional orientation, thus expanding the field of responsibility and formally connecting the two fields. The chapter introduces a developmental perspective in a trans-disciplinary field by investigating the relationship of inner work and its impact on action in the outer world, which offers common perspective on organizational and individual development.

Building on existing research, the proposed model suggests a new field for novel ways of “being with the world” in these challenging times. This new dimension can be considered an additional relational role which further extends the Maak and Pless model (2006) thus contributing to the ongoing definitional efforts in the field of responsible leadership. The substantiated attempt to define four enabling conditions for responsible leadership, as well as the eight enabling conditions to make a collaboratory work, seek to also contribute to the body of knowledge in this emerging space. Last but least, the collaboratory can be considered as an emerging example for the current shift in organizational development (OD) offering a concrete response to the related three shifts: from gathering data to making meaning, from attention to the past to the future, and the emergence of collective deliberation, suggesting that change is not a fatality but a destiny.

The chapter contributes to the body of knowledge by suggestion that responsibility and sustainability are likely to turn the educational paradigm upside down. It looks at methods and approaches to strengthen this interconnection drawing from a body of literature that considers the human spirit in large social change, and uses the “collaboratory” as an illustrative and timely example for such methods.

It goes without saying, that this chapter is exploratory at best and that limitations are an integral part of such a novel theoretical attempt. First and foremost, it is important to point out that the proposed model does carry potential unintended consequences, as outlined in the vicious versus virtuous circle. As outlined in the beginning, this chapter represents a theoretical contribution using an idealist approach exploring a fundamental change of the current status quo: the radical humanist paradigm in the epistemological language of Burrell & Morgan (1979). It uses a normative position on leadership by suggesting that a concern with functions should be replaced with a concern for purpose. Furthermore, the suggested three dimensions of leadership (knowledge, skills and competencies) represent only partially what Spencer &
Spencer (1993, as cited in Stewart 2006) suggest reflect human motives. Spencer & Spencer have also pointed out that personality traits and personal motives also form a part of individual leadership attributes, albeit these being often hidden below the surface of the ‘iceberg’. We have not included traits and motives as there is little existing knowledge of how to effective transform these in the limited context of an educational setting as described here.

As Argyris & Schön (1974) have outlined, there is a difference between ‘theory-in-use’ (what is really done) and an ‘espoused theory’ (what is said is done). This chapter builds on the assumption that “the current preoccupation with explicit knowledge-creation and management may need to be tempered by an equally important emphasis on direct experimental action as a valuable source of meaning, innovation, productivity and enhanced performance” (Chia, 2003). The Collaboratory provides a structure in which experiential knowing can be valued and referred to more explicit forms of knowing and can inform further action. “It is this concern for starting from the ground of pure experience that unites the concerns of Bergson, James and Nishida… for whom what we generally call empiricism is actually a kind of ‘false empiricism’ as it relies on pre-established linguistic categories as the starting point for recording observations and not on direct lived experience itself” (Chia, 2003: 965). The weakness of the chapter may thus prove to be its strength, for “pure experience is the only reliable empirical basis for a genuine empiricism” (Chia, 2003, p. 965).

The work in this article was guided by the hope to create the grounds for a fertile field of further research. There are three emerging domains of such further research:

a) Action research with business organizations to test the model in practice
b) Empirical research to test the collaboratory as a common space for individual and organizational transformation
c) Action research to advance the collaboratory methodology from its current use in the ‘real space’ to new forms of application in the virtual space.

As a transition to the following chapters, this chapter offers an overarching model for a common transformative space of sustainability and responsibility, drawing on a selected range of previously published articles which are divided into three follow-on chapters as follows (Figure 14):
Figure 14: Overview of the chapter and articles for this PhD by publication

* After extensive reflection and a specific consultation, the summative chapter submitted here somewhat exceeds the typical 10'000 words. It not only summarizes the other chapters and provides an overarching model of a common space for sustainability and responsibility including an educational perspective, but also is framed within a larger philosophical context. This extension in many ways reflects the rich discussions in the thesis review process and is deemed necessary and appropriate for the purpose of this PhD thesis and seeks to provide additional value to the discussion.
In closing, it is important to recognize that the proposed model is based on an underlying instrumental rationale which uses the development of responsible leaders in order to make business more sustainable. Yet, the opposite may be true also. As outlined earlier, a substantive rationale would imply that the development of self may result in a wish to retreat from worldly activities. It is thus of essence to understand where to find such personalities that are most likely to act in the world after having developed themselves to become responsible leaders. We may hypothesize that such personalities have a strong entrepreneurial drive and/or a strong desire to contribute to a better world. The former may be found (among other places) in business schools at one stage of their careers, the latter may be found in international relation studies or humanitarian work, and/or in circles and networks of social enterprise at one stage in their careers. Additional research is required to understand where they are and how to best support their development. It is noteworthy that Plato had already contemplated on the need to have philosophers (defined as those on the journey towards wisdom) as kings, or wise leaders. He had contemplated training kings to become philosophers, yet quickly understood how difficult this was (Case and Gosling, 2007).
Bibliography


CHAPTER 2

ORGANIZATIONAL DEVELOPMENT TOWARDS BUSINESS SUSTAINABILITY


2. An Organizational Roadmap for Business Sustainability (Muff, Katrin, Dyllick, Thomas), in review process with the Journal of Applied Corporate Finance, 2015


In this chapter, we shall now investigate in more depth what we have outlined in section 1 of chapter 1, namely how organizations may develop towards business sustainability, or how business can be celebrated for its positive contribution to society.

Section 1 of chapter 1 has outlined the economic context of business before defining business sustainability and proposing different types of sustainability in business. From there, we considered how business can go about advancing in its sustainability journey and what considerations are important to take into account. As such, section 1 contextualized and summarized the first two articles in this chapter:

“Clarifying the meaning of sustainable business – introducing a typology from business-as-usual to true business sustainability” co-authored with Thomas Dyllick of the University of St. Gallen was written to provide a much needed holistic overview of contributions in the field of business sustainability showing the advancements in both theory and practice over the past decades. Using a simply input-process-output model, we subsequently propose a typology for business sustainability identifying key shifts required to advance towards true business sustainability. The BSL doctoral program is built on this typology and DBA candidates conduct case studies and action research to investigate both the relevance of the model and how businesses do advance in their sustainability journey¹. The article was accepted by the Journal ‘Organization & Environment’ and is pending its print publication. The online version is available since March, 2015.

“An organizational roadmap for business sustainability” co-authored again with Thomas Dyllick, is the follow-on article of the above article and is currently in review process at the Journal of Applied Corporate Finance. The aim of the contribution of this article is to provide more concrete and practical insights, suggestions and support to business practitioners and to scholars interested in

¹ More information about the DBA program here: http://www.bsl-lausanne.ch/programs/doctorate/dba/home
accompanying the corporate sustainability journey. A review of state-of-the-art articles in the fields of business sustainability reveals a compelling list of 10 attributes of highly sustainable companies, providing a first concrete indication for companies interested in advancing on their journey. The article also highlights the difficulties in implementing the so-called BST 3.0, or truly sustainable business, given the current legal and financial framework. It remains to be seen, if and how stock-quoted companies can indeed transform towards 3.0 or if such ‘true sustainability’ is reserved to organizations founded with this specific purpose and aim in its vision from the start.

The remaining two articles in this chapter are exemplary attempts of focusing on concrete solutions in specific business fields in order to advance business sustainability. The first article focusses on how to integrate externalities in a corporate strategy process. The second article investigates to what degree an alternative governance structure can provide a lever of change in the current financial and regulatory systems. Both articles are built on the Business Sustainability Typology introduced in the first article in this chapter:

“Re-orientation of corporate strategy to enable business sustainability” co-authored with Munif Mohammed, a BSL DBA candidate, seeks to integrate a number of recent studies on business sustainability into a framework for greater corporate engagement. The article looks at how externalities are included in corporate valuation to create a more balanced, holistic and ethical incentive system for corporate accountability while ensuring business sustainability. The article investigates if and how a re-orientation of corporate strategy through the monetary valuation and formal accounting of externalities could provide a new source of competitive advantage as well as generating a larger degree of business engagement in the field of sustainability. While obviously more research needs to be conducted to evaluate how to best integrate this approach into accounting and reporting, the article hopes to propose an alternative way towards true business sustainability.

“Driving sustainable business implementation through tripartite guardianship” co-authored with Frederic Narbel, also a BSL DBA candidate, investigates one of the levers of change for business sustainability: the business regulatory and governance frameworks. The article considers a tripartite guardianship system
to influence decision-makers globally as an alternative way for financial markets to regulate business. The article argues that the conventional short-term focus in the regulatory systems limits sustainability efforts as mainstream organizations screen sustainable business practices for immediate financial benefits. It is suggested that a shift from business-as-usual to true sustainability may require a change in the current form of corporate structure, recognizing that further research is needed to better understand the relationship between the financial industry, new governance systems such as the proposed tripartite guardianship system.

It goes without saying that these two articles above are by no means representative of the efforts required or already undertaking in order to understand how to advance business towards a more impactful sustainability. They are chosen as examples of two important, but isolated issues in a highly complex and inter-connected field of practice and research.
Clarifying the Meaning of Sustainable Business: Introducing a Typology From Business-as-Usual to True Business Sustainability

Thomas Dyllick\(^1\) and Katrin Muff\(^2\)

Abstract
While sustainability management is becoming more widespread among major companies, the impact of their activities does not reflect in studies monitoring the state of the planet. What results from this is a “big disconnect.” With this article, we address two main questions: “How can business make an effective contribution to addressing the sustainability challenges we are facing?” and “When is business truly sustainable?” In a time when more and more corporations claim to manage sustainably, we need to distinguish between those companies that contribute effectively to sustainability and those that do not. We provide an answer by clarifying the meaning of business sustainability. We review established approaches and develop a typology of business sustainability with a focus on effective contributions for sustainable development. This typology ranges from Business Sustainability 1.0 (Refined Shareholder Value Management) to Business Sustainability 2.0 (Managing for the Triple Bottom Line) and to Business Sustainability 3.0 (True Sustainability).

Keywords
business sustainability, corporate sustainability, triple bottom line, planetary challenges, corporate social responsibility, responsible leadership, purpose of the firm, sustainable development, sustainable business

Introduction
While sustainability management is becoming more widespread among major companies, the impact of their activities is not reflected in studies that monitor the state of the planet. The consequence is a “big disconnect” between micro-level progress and macro-level deterioration. We respond to this disconnect by critically looking at how business sustainability (BST) has been discussed in the academic literature and in practice and by reframing the concept.

With this article, we address two main questions: “How can business make an effective contribution to resolving the sustainability challenges we are collectively facing?” and “When is business truly sustainable?” In a time when more and more corporations claim to manage

\(^1\)University of St. Gallen, St. Gallen, Switzerland

\(^2\)Business School Lausanne, Lausanne, Switzerland

Corresponding Author:
Katrin Muff, Business School Lausanne, Lausanne, Switzerland.
Email: katrin.muff@gmail.com
sustainably, we need to distinguish between those companies that do and those that do not make effective contributions to sustainable development. In order to do so, we will clarify the meaning of BST by reviewing established approaches and by developing a typology that focusses on effective contributions for sustainable development (SD). This should help assess companies on their journey toward integrating BST into their strategies and business models. And it provides a framework for scholars and professionals to engage in the transformation of business, moving from business-as-usual to “true business sustainability.” We will not address the required changes in the underlying economic model or in the model of consumer behavior, although effective changes are clearly interrelated.

We start out by looking in more detail at this “big disconnect” between sustainable business on an organizational level and SD on a global level, and thus set the stage for our discussion of existing models of BST. We then develop a new typology for BST that will range from Business Sustainability 1.0 (Refined Shareholder Value Management) to Business Sustainability 2.0 (Managing for the Triple Bottom Line) and to Business Sustainability 3.0 (True Sustainability). In the last section, we present our conclusions and discussion.

**Sustainable Business and Sustainable Development: The Big Disconnect**

The role of business in making our world a more sustainable place is at the center of the study of sustainability management. If we follow the studies monitoring the acceptance and integration of sustainability by big companies, there is a strong consensus emerging that sustainability is having and will continue to have a significant material impact on company strategies and operations. More and more business executives agree that sustainability-related strategies are necessary to be competitive today and even more so in the future. More and more executives report that their organizations’ commitment to sustainability has increased in the past and will develop further in the future. They report that benefits of addressing sustainability accrue not only to the environment and to society but also to the companies themselves, through tangible benefits in the form of reduced costs and risks of doing business, as well as through intangible benefits in the form of increased brand reputation, increased attractiveness to talent, and increased competitiveness (Haanaes et al., 2011; Haanaes et al., 2012; Kron, Kruschwitz, Haanaes, Reeves, & Goh, 2013; U.N. Global Compact & Accenture, 2010 & 2013). But somehow this good news is not reflected in studies monitoring the state of our planet. Here we learn that poverty has not been eradicated, inequity is growing, hunger and malnutrition still kills a child every 6 seconds, 1.8 billion people do not have access to clean drinking water and sanitation, 2.3 billion people do not have access to electricity, and a 4-degree warming scenario is now being accepted by international organizations like the World Bank and the International Energy Agency, while the international climate negotiations have failed to produce any consensus on effective global strategies to keep global warming at least below 2 degrees (Bakker, 2012; Gilding, 2011; U.N. Environment Programme, 2012; WWF, 2012).

What results from this discrepancy between micro-level progress and macro-level deterioration is a big disconnect between company activities and the global state of the environment and society. Although there are different reasons to explain this disconnect—after all corporations are not the only relevant actors in the global sustainability arena—the current situation should be considered as a wake-up call for business people and management scholars alike that their good intentions and actions have not been leading to significant sustainability improvements on a global level. In response to this disconnect, we critically look at how the concept of BST has been used in the academic literature and in the world of practice, and we then reframe this concept. In doing so, we do not assume this alone will solve the problem, but we believe that by clarifying
the meaning of BST, a better understanding of the impact business can have on global sustain-
bility will set the discussion at least on the right track.

In looking at the BST debate in the academic literature, we find three conceptual challenges
for addressing the disconnect: (a) the poor integration of the different topical streams in the BST
discourse, (b) the missing integration of the societal macro level with the organizational micro
level, and (c) the focus on business success as the dominating performance measure.

The BST discourse is segmented into topical streams addressing different subfields of BST,
notably corporate social responsibility and environmental management, while an integrated BST
perspective which looks at all three dimensions (the social, environmental, and economic) is still
fairly new. Montiel and Delgado-Ceballos (2014) observed in a recent review of BST research,
published in 24 renowned academic journals between 1995 and 2013, that neither a standardized
definition nor a standardized method to measure BST exists today. In looking at the temporal
pattern of publication trends in academic journals, they report in particular that BST has only in
the most recent period received more attention (53% of all articles published during 2008-2013)
that social issues and environmental issues (33% and 14% during 2008-2013). While these dif-
ferent issues have produced their own streams of literature and specialized journals, they have
only recently started to converge on BST as a tridimensional construct (e.g., Bansal 2005; Dyllick
& Hockerts, 2002; Elkington, 1997; Hart, 1995, 1997). An integrated BST focus would not only
help considerably to respond adequately to complex and interconnected sustainability issues, but
it is also more challenging. The Montiel and Delgado-Ceballos (2014) study shows that the aca-
demic BST discussion is at a very early stage where a standardized definition, scope, focus,
underlying theoretical approaches, and measures are still very diverse and highly debated. Also,
most discussion on BST is taking place not in the academic management journals, but in practi-
tioner management journals (Academy of Management Perspectives, Harvard Business Review;
California Management Review, MIT Sloan Management Review). They conclude that “to date
academic research has failed to effectively inform management practice about sustainable develop-
ment.” We should add, however, that this is not specific to BST research, but expresses an open
secret about most management research which neither reaches nor resonates with management
practice (Bansal, Bertels, Ewart, MacConnachie, & O’Brien, 2012; Dyllick, 2015; Hambrick,

The sustainability discourse is also located on different levels, with most of the SD discussions
taking place on a macro level, focusing on the economy, society, or the world, while the BST
discourse is located on the micro level of organizations. What is needed are approaches that
effectively link both levels (Whiteman, Walker, & Perego, 2013). The sustainability challenges
have been largely debated on a societal level, if we think of major milestones like the reports to
the Club of Rome (e.g., Meadows, Meadows, Randers, & Behrens, 1972; Meadows, Randers, &
Meadows, 2004), the Millennium Ecosystem Assessment (2005), the planetary boundaries
approach (Rockström et al., 2009), or on the political level if we think of the UN World Summits
for Sustainable Development and Social Development, and the UN Millennium Development
Goals. A business approach to SD was pioneered by the World Business Council on Sustainable
Development (WBCSD; 2010; see also Schmidheiny, 1992). They introduced eco-efficiency as
the measure of BST (DeSimone & Popoff, 2000), reflecting a focus not only on the environmental
dimension that dominated the debate at the time, but also at the business level. Much of the
academic literature joined the discussion to develop a business approach to SD (an early mile-
stone was the Special Topic Forum on Ecologically Sustainable Organizations in The Academy of
Management Review, 1995). Clarifying a business approach to SD was an important contribution
to legitimizing and popularize sustainability management in the business world which included
strategies, management systems, tools and performance measures. Although many early authors
were addressing the BST–SD link (e.g., Gladwin, Kennelly, & Krause, 1995; Hart, 1995;
Shrivastava, 1995; Starik & Rands, 1995), it later fell out of sight, with the BST and SD discourses

Downloaded from oae.sagepub.com at Universitaet St Gallen on April 1, 2015
concentrating more and more on their respective levels. The decoupling of the two levels probably reflects most obviously in the clearly separated meanings and measures of performance.

While the SD discourse concentrated on reaching the global SD goals (e.g., the U.N. Millennium Development Goals; http://www.un.org/millenniumgoals/) with performance measures addressing the degree of the SD goals being effectively reached, the BST discourse has focused on business value (win–win strategies). Different concepts have been suggested and used over time. The BST discussion centered first on *eco-efficiency* as a performance measure, thereby drawing a positive link between environmental improvement of processes and products and bottom line benefits (e.g., DeSimone & Popoff, 2000). More recently, the BST discussion has been concentrating on defining a *business case* for corporations which can take on very different forms, for example, risk reduction, cost efficiency, reputational effects, market differentiation, or market development (e.g., Schaltegger & Wagner, 2006; Steger, 2006). While the business case addresses a strategic level, eco-efficiency addresses a more operational level. What is common to both concepts is that BST is clearly focused on creating business value through sustainability management, while the contribution to achieving SD goals remains very vague at best. This applies also to the most recent mutation of business value, the concept of *shared value creation*, which promises to bridge business value and societal value and will be discussed in more depth later (Porter & Kramer, 2011). We conclude here that BST improvements cannot and will not contribute in any significant degree to improving the global situation as long as the two levels of BST and SD are disconnected and, even more importantly, as long as the performance measures remain disconnected.

This conclusion seems to be widely shared in the literature. Different authors concluded in their reviews that the focus of BST research is usually on the organization and how it can profit from BST with less consideration for the environment or society (Banerjee, 2011; Hahn & Figge, 2011; Kallio & Nordberg, 2006; Walsh, Weber & Margolis, 2003; Tregidga, Kearins, & Milne, 2013). Others deplore that these studies offer no radically new insights (Bansal & Gao, 2006) or fail to ask bold and important questions on the sustainability issues the world is facing (Starik, 2006). On an even more fundamental level Bansal and Knox-Hayes (2013) suggest that it may be the compression in time and space that occurs in the organizational world that creates an imbalance with the immutable temporal and spatial features of the natural world.

Considering this brief analysis of the BST discourse in the literature, some of the reasons for the “big disconnect” between company activities in the BST field and global SD results have become clear. The main reasons have to be seen in a decoupling of the micro-level and macro-level analyses and in the decoupling of the performance measures used. Keeping the different streams of the BST discourse separate does not help to devise adequate answers to the complex SD challenges of our time. This asks for a critical reexamination of established concepts and the development of new approaches to reconnect the micro level of BST and the macro level of SD.

**Differentiating Sustainable Business Models**

The basic business process can be understood as a transformation of various inputs into different kinds of outputs. We will use this simple “input–process–output” model to analyze existing approaches for integrating sustainability into business (see Table 1). On the input side, we identify different *concerns* (or issues) that business chooses to consider and address. On the process side, we focus on various *organizational perspectives* that business takes. And finally, on the output side we find different *values* that business creates or preserves. A focus on inputs defines BST according to the relevant concerns considered by business (what?). A focus on process defines BST according to the organizational perspectives taken by business (how?). And a focus on output defines BST according to the values created by business (what for?).
Focusing on Concerns

Some of the early concepts of BST focused on specific concerns such as (a) “integrating short-term and long-term aspects,” (b) “consuming the income not the capital,” and (c) “being accountable for the impacts of business decisions and activities.” Let us consider these in more detail.

While the relevant planning horizons for companies have become shorter and shorter, mainly driven by pressures from the financial markets, developments in the sustainability field typically require a much longer time horizon. Demographic processes, urbanization, resource depletion and renewal rates, time lags in climate change, and ozone depletion are only some examples of phenomena that exist across long-time horizons. If sustainability concerns are to be taken into consideration by companies, then long-term aspects need to be given at least equal weight as short-term aspects.

This logic is well exemplified in the decision by Paul Polman (2012) after he had come in as new CEO of Unilever. It was his initiative to end quarterly reporting and inform hedge-funds and short-term investors that “you don’t belong in this company” as they are not aligned with Unilever’s longer term strategy to both double revenue by 2020 while significantly reducing the company’s environmental footprint.

The second consideration requires business to live off the income and preserve the capital base (Dyllick & Hockerts, 2002) which companies have usually considered as good financial management. Yet the same holds true for natural and social capital which also deserves to be preserved even though this is not equally accepted or institutionalized. In times when environmental and social capital becomes scarce or strained, sustainable business has to take these, as well as economic capital into consideration. All three should form the foundation for a balanced sustainable business practice.

“Being accountable for the impacts of business decisions and activities,” a third concern, is captured in how the ISO 26000 standard on social responsibility (which can be interpreted here as an alternative term for sustainability) defines this approach. This ISO (2011) standard explains that

The essential characteristic of social responsibility is the willingness of an organization to incorporate social and environmental considerations in its decision-making and be accountable for the impacts of its decisions and activities on society and the environment. This implies transparent and ethical behavior that contributes to sustainable development, is in compliance with applicable law and is consistent with international norms of behavior. It also implies that social responsibility is integrated throughout the organization, is practiced in its relationships and takes into account the interests of stakeholders.

Without any doubt, accountability for the impact of decisions is an important aspect of BST, just like the other two concerns—integrating short-term and long-term aspects, and consuming the income not the capital. They all address an important part of BST that promises to contribute to SD, but there are other approaches that focus on organizational perspectives and values created that we will now look at.

Focusing on Organizational Perspectives

Other approaches for integrating sustainability into business focus not on the concerns, but on the organizational perspectives used by business. These include “managing risks and opportunities” and “embedding sustainability throughout the organization.”
Some authors base their BST strategies on the dual need of managing risks and opportunities which can be located on an operational or a strategic level (Schaltegger, 2006; Steger, 2004, 2006). Others focus on managing the downside by reducing costs (e.g., resource efficiencies, regulatory burden) or risks (e.g., business risks, supply-chain risks) and building the upside by increasing revenues, market share, or reputation (Esty & Winston, 2009; Nidumolu, Prahalad, & Rangaswami, 2009).

“Embedding sustainability throughout the organization” has been another prominent perspective considered to be of key importance for integrating sustainability into business. Authors who assume this perspective, argue that simple bolt-on sustainability will not suffice to effectively manage the sustainability risks and opportunities for a company. Business will need to embed sustainability throughout the organization, including strategies and operations, governance and management processes, organizational structures and culture, as well as auditing and reporting systems (Belz & Peattie, 2012; Eccles, Miller Perkins, & Serafeim, 2012; Epstein, 2008; Esty & Winston, 2009; Laszlo & Zhexembayeva, 2011; Smith & Lensen, 2009).

The ISO 26000 guidelines (2011) emphasize that the regular activities of organizations constitute the most important aspects to be addressed by a socially responsible (sustainable) management, and not particular projects or activities. It should be an integral part of the core organizational strategy, with assigned responsibilities and accountability at all appropriate levels. And it should be reflected in decision making as well as in implementation. In addition, social responsibility (sustainability) should be based on an understanding of the broader expectations of society and an identification of and an engagement with relevant stakeholders. These are considered to be fundamental conditions for business to move beyond isolated or partial strategies and to be able to make significant contributions to SD on a broader level.

**Focusing on Values Created**

A third type of approach focuses neither on concerns nor on organizational perspectives, but on the particular values created or preserved by a business. They look at the output of the business process for defining BST, not on the input or the process. Different outputs discussed in the literature are “integrating economic, ecological and social value creation,” “creating shared value,” and the “reemergence of social purpose.”

In many approaches, BST has been associated with the creation of economic, ecological, and social value, or at least with the prevention of their destruction. Elkington (1997) introduced the concept of the “triple bottom line” as a new business objective, which measures more adequately the multidimensional business contributions to sustainability. Although very suggestive at first sight, it has remained to a large degree unclear how the trade-offs between economic, ecological, and social values are to be measured and compared. Another issue may be seen in the many forms of corporate greenwashing or the more subtle forms of merely symbolic forms of BST as described by Bowen and Aragon-Correa (2014).

Emerson (2003) introduced the concept of “blended value” that combines a company’s creation of revenue with the generation of social value. Porter and Kramer (2011) suggest that we need to redefine capitalism around “creating shared value,” not just profit, thereby elevating the discussion to a fundamental level of the purpose of business and the economic system as a whole. Shared value creation is defined as creating economic value in a way that also creates value for society by addressing its needs and challenges. Ideally, the starting point for business planning thereby is society and its problems, rather than business itself, to unlock business opportunities in society.

Shared value creation may be a useful first step to put to rest the stalemate created by the opposing views of shareholder value management (Friedman, 1970; Rappaport, 1986/1998) and stakeholder value management (Freeman, 1984). By reconnecting business to society, it would
help to overcome the Friedmanian fallacy of business seeing itself and being disconnected from society (Muff et al., 2013). However, shared value creation is unlikely to be a sufficient approach for solving societal problems, as it is limited to those issues and concerns that promise economic value for business (Crane, Palazzo, Spence, & Matten, 2014). Dyllick and Hockerts (2002) asked for business to look “beyond the business case” and go beyond eco-efficiency or socio-efficiency to become eco-effective or socio-effective, while developing effective solutions to address the real sustainability issues their societies are facing. Recent developments related to social business, social entrepreneurship (Sabeti, 2009), impact investment, benefit (B-) corporations (Rae, 2012), Corporation 2020, or the Economy for the Common Good movement in Europe (Felber, 2010) point to alternative organizational models.

Other authors have developed broader models to connect corporations better to the required macroeconomic changes. Sukhdev (2012) introduces “Corporation 2020” as a new model of business and a kind of corporate agent that society would need to forge a sustainable economy. Goal alignment with society and a “reemergence of social purpose” are essential features of Corporation 2020. Financial capital accretion is one key objective for Corporation 2020, but there are other objectives as well. Important goals for the corporation are not only defined by its shareholders but also by its stakeholders—those who are impacted by the corporation. Corporation 2020, instead of being a “machine” maximizing financial capital for its shareholders, while seeking to externalize as many costs as possible, maximizes different forms of capital, financial, human, social, and natural capital, for its shareholders and its stakeholders. It is rewarded for this by tax relief, policy incentives, staff commitment, and customer loyalty. In order to bring about Corporation 2020, economic structures and incentives have to be aligned to make the new thinking mainstream. Sukhdev suggests four political conditions that should serve as enabling conditions to bring about Corporation 2020: measuring and disclosing the externalities of corporations, limiting financial leverage, taxing resource use instead of profits, and making advertising accountable to prevent greenwashing.

Changing the business purpose to the common good may be too radical for existing commercial businesses, but developments like Corporation 2020 and the emergence and broad support for social businesses and social entrepreneurship (European Commission, 2011) demonstrate that there is a need for new organizational forms with a clear social purpose. Their emergence and further development offers new perspectives for “true business sustainability” through new or hybrid business organizations with a purpose that reaches beyond shared value creation.

In concluding our overview of existing approaches to BST, we realize there have been many different attempts to frame BST in the broader context of SD. They mostly have fallen short of reaching this ambitious goal. They include approaches based on partial or incremental improvements of an existing strategy instead of an approach that looks at all kinds of concerns, organizational perspectives, and values created. They include attempts that are oriented primarily toward increasing shareholder value by reducing the business footprint rather than creating sustainable value in its broader meaning. Often, such approaches are based on an inside-out perspective, demonstrating how business is contributing to the improvement of some sustainability issue. What is rarely done, however, is to look at the relationship of business and society the other way around, by asking how business can contribute effectively to solving global challenges. Such an outside-in perspective may be the crucial step needed for business to move to full-fledged or true sustainability.

**Introducing a Typology for Business Sustainability**

Sustainability demands an integration of social and environmental issues with economic issues. What this exactly means and what the consequences are for business is far from clear. While many companies have started to consider longer term, social and environmental aspects in their
business, they rarely ask themselves what their contribution to resolving sustainability issues on a regional or global scale could be and should be. Such a positive contribution to society and the planet, however, lies at the heart of a truly sustainable business.

We now develop a typology of BST based on the above systematic analysis of different approaches in the literature. In deriving the different types we will use the three previously introduced elements of the business process model, the relevant concerns considered (inputs), the values created (outputs), and the organizational perspectives applied (processes). Based on these three elements, we present a typology of BST by using the current economic paradigm as a starting point to clarify the differences. Starting out with “business-as-usual” we develop three increasingly relevant types of BST, which we call Business Sustainability (BST) 1.0, 2.0, and 3.0. As we move up from 1.0 to 2.0 and 3.0, the relevance and the contribution to resolve sustainability issues increases, with Business Sustainability 3.0 representing what we consider to be “true BST.”

Business-as-Usual: The Current Economic Paradigm

The current economic paradigm, or “business-as-usual,” is based on a purely economic view of the firm and business processes. The underlying assumption is that typical economic concerns (e.g., access to cheap resources, efficient processes, striving for a strong market position) are pursued to produce economic value in the form of profit, market value or, more generally, shareholder value. Such an approach typically results in significant externalized costs that are not understood, measured, or declared. The perspective is inside-out, with the business and its objectives as the starting point and main reference for all planning and action. The main beneficiaries of the economic values created are shareholders, complemented by management and customers. Economics Nobel Prize winner Milton Friedman (1970) has created the appropriate description for the current economic paradigm by stating bluntly “the business of business is business.”

Business Sustainability 1.0: Refined Shareholder Value Management

A first step in introducing sustainability into the current economic paradigm results from recognizing that there are new business challenges from exchanges that are outside of the market. Extra-market challenges result from environmental or social concerns which are typically voiced by external stakeholders like NGOs, media, legislation, or government. They raise environmental and social concerns that create economic risks and opportunities for business. These new challenges are picked up and integrated into existing processes and practices without changing the basic business premise and outlook. Even if sustainability concerns are considered in decision making and actions, business objectives remain clearly focused on creating shareholder value. The view of Business Sustainability 1.0 is very well captured by SAM Group and PricewaterhouseCoopers (2006) in their definition of corporate sustainability:

Corporate sustainability is an approach to business that creates shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.

This view on BST is mostly considered as representing sustainability management, although it is only a kind of refined version of shareholder value management (Hahn & Figge, 2011). In our view, it is only a first yet insufficient step toward true BST.

What does BST 1.0 look like in practice? We will use two different industries to illustrate the different forms of BST, banking and food, and we will look at three different aspects separately: governance, processes, and products/services.
Taking banking and looking at issues of governance first, BST 1.0 means introducing new rules for compliance in areas like corruption or money laundering, in dealing with politically exposed persons or regimes, ethical codes, compensation schemes for management in the long-term or pursuing stakeholder dialogues. New or integrated banking processes may be introduced for energy and climate management, sustainable purchasing, green IT, building and infrastructure, diversity, old age employment, or home office solutions. In the area of products and services sustainability concerns may be integrated into project finance, asset and credit management, into increasing fee transparency or by introducing new products in areas like microfinance or student loans.

Taking the food industry as another example BST 1.0 means introducing sustainability into its governance structures by responding systematically to stakeholder concerns, not only by developing policies and codes covering major issues in sustainable sourcing, product development and safety, marketing and communication but also by creating organizational, managerial, and board structures for effective management, control, and auditing. With regard to processes, procedures for energy and water efficiency, for greenhouse gas reduction, sustainable sourcing, manufacturing, and transport need to be implemented. In particular, not only sustainable and fair sourcing has recently been a major concern, if you think of palm oil, soy, cocoa, coffee, tea, meat or fish but also procedures for verification and certification. And with regard to products, BST 1.0 means for the food industry to reduce their environmental footprint and improve their social value and nutritional quality (e.g., reduce sugar, salt, saturated fats, calories), to minimize waste and packaging, as well as to provide transparent and verified information to consumers.

The underlying objective of these activities remains economic, however. While introducing sustainability into business will generate positive side-effects for some sustainability issues, their main purpose is to reduce costs and business risks, to increase reputation and attractiveness for new or existing human talents, to respond to new customer demands and segments, and thereby increase profits, market positions, competitiveness, and shareholder value. Business success still is evaluated from a purely economic view and remains focused on serving the business itself and its economic goals. The values served may be somewhat refined, but still oriented toward the shareholder value.

**Business Sustainability 2.0: Managing for the Triple Bottom Line**

A further step in introducing sustainability into business acknowledges that sustainability is more than just recognizing the relevance and need to respond to social and environmental concerns, in addition to economic concerns. Business Sustainability 2.0 means broadening the stakeholder perspective and pursuing a triple bottom line approach. Value creation goes beyond shareholder value and includes social and environmental values. Companies create value not just as a side-effect of their business activities, but as the result of deliberately defined goals and programs addressed at specific sustainability issues or stakeholders. These values are not only addressed through particular programs, but they are also measured and reported about. This view of BST 2.0 is well captured by the definition used by the Network for Business Sustainability (2012):

Business sustainability is often defined as managing the triple bottom line—a process by which firms manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as people, planet and profits.

BST 2.0 clearly is more ambitious than BST 1.0 and represents a big step forward in making sustainability a respected and integrated business topic. It allows business to align the concerns it addresses with the values it seeks to create by relating economic, environmental, and social concerns to the triple bottom line values of sustainability. While this shift is a quantum leap in the
value created from refined shareholder value to creating social, economic, and environmental values, it is not yet, what we understand as “true sustainability.”

Applied to banking, BST 2.0 means contributing sustainability values through programs and actions taken in the areas of governance, processes, and products/services. Instead of positive side-effects resulting from actions addressed at specific concerns in these fields, results are the outcomes of purposeful action. Not only fighting corruption, money laundering, or tax evasion but also stakeholder dialogues are pursued deliberately with the goal of making measurable contributions in these areas. Objectives are defined and their achievements are managed, measured, and reported. Programs and activities with regard to banking processes are pursued not only with the goal of making measurable contributions, for example, to reduce the CO₂-footprint or to improve diversity across all levels of employees but also by voluntarily limiting top management compensation as well as the variable part of the compensation of hedge-fund managers. The activities are typically embedded into the organizational and management structures. Banking products and services are created and offered around specific objectives in areas such as financing sustainable construction, healthy living, regional and urban development, or financing business projects for markets and entrepreneurs where new forms of collaboration and financing (e.g., microfinance) are needed. Also, responsible investment products are not only developed but also actively marketed and promoted by trained customer service representatives to achieve defined market objectives.

Looking at BST 2.0 in the food industry means introducing sustainability into its governance structures. This requires that sustainability objectives are integrated into the planning and reporting cycles to define specific objectives for projects and brands, and ensuring that goals are achieved through adequate forms of incentives and accountability. Also, reporting about the achievements in a transparent and externally verified way is an important element. Processes and transparent procedures for reducing greenhouse gases, energy, water use, and waste from manufacturing, transportation, and offices need not only be implemented but also measured and reported on. Objectives and achievements with regard to sustainable sourcing must be measured and communicated. In other words, BST 2.0 means not merely that the environmental footprint is minimized but that a positive footprint is made and measured over the whole product life-cycle and per consumer use, to improve the social and nutritional quality, and to limit waste and packaging in an innovative and clearly defined and controlled way. Objectives and achievements, including information concerning sustainable consumption and improved health and welfare, are to be reported on.

The underlying objective for BST 2.0 firms is to invent, produce, and report on measurable results within well-defined SD areas while doing this in an economically sound and profitable manner. The value proposition of business is broadened to include the three dimensions of the “triple bottom line” (people, planet, profit). However, the perspective applied is still inside-out.

**Business Sustainability 3.0: Truly Sustainable Business**

A truly sustainable business reflects on questions that go beyond those so far considered. It reflects on questions such as “How can business contribute with its products and services to resolve pressing sustainability issues in their societies?” or “How can business use its resources, competencies and experiences in such way as to make them useful for addressing some of the big economic, social or environmental challenges that society is confronted with, e.g. climate, migration, corruption, water, poverty, pandemics, youth unemployment, sovereign debt overload, or financial instability?”

Our view of BST 3.0 may be defined as follows:

Truly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society
and the planet. A Business Sustainability 3.0 firm looks first at the external environment within which it operates and then asks itself what it can do to help overcome critical challenges that demand the resources and competencies it has at its disposal.

As a result, a BST 3.0 firm translates sustainability challenges into business opportunities making “business sense” of societal and environmental issues. This follows the line of thinking suggested by the late Peter Drucker who commented on the business challenge of sustainability: “Every single social and global issue of our day is a business opportunity in disguise” (as cited in Cooperrider, 2008).

Having already figured out how to improve their operational effectiveness by introducing energy savings and social benefits to their supply chains, or improve their products and services, the truly sustainable organizations ask themselves more challenging questions such as

1. Which of the burning environmental, societal, or economic issues could be resolved by dedicating our wealth of resources, competencies, talents, and experiences?
2. What are the benefits and contributions of our products and services to society and the environment?
3. How can we transform our operations to provide solutions (products or services) in a direct and measurable way to the burning issues in nature and society?
4. How can we open up and develop our governance structures to respond more effectively to society’s concerns?
5. What can we do individually? And where do we need to engage in sector-wide or cross-sectorial strategies?
6. Where do we need to engage in activities to change the rules of the game to bring together the divergent demands of the current economic system and the demands of SD?

BST 3.0 firms see themselves as responsive citizens of society. Truly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society and the planet. BST 3.0 represents a very different strategic approach to business. It turns around the traditional “inside-out” approach used by business and applies an “outside-in” approach instead, much like social businesses do.

The organization starts out by reviewing pressing sustainability challenges that society faces, and then engages in developing new strategies and business models that overcome these. The potential for contributing positively will vary largely between companies, their resources, strategies and purposes, and it will vary between different industry sectors and societal contexts. Making a positive contribution to overcome sustainability issues and thus serving the common good becomes the main purpose of a truly sustainable business. In this perspective, the values created change from the triple bottom line to creating value for the common good, defined as that which benefits society and the planet as a whole. This stands in contrast to the private good of individuals or groups. In order to create value for the common good commercial businesses have to find ways to do this in an economical way. This will be much easier for social or hybrid businesses, where financial constraints are less stringent and the economic equation may look different.

Truly sustainable firms engage on different levels of action to increase their sustainability impact and ease conflicts between financial demands and societal needs. As long as they act on an individual company level they can innovate their processes and products or improve their systems of governance and transparency. Impact and reach of their activities, however, will remain limited. By engaging on a sectorial or cross-sectorial level, businesses can change the common approaches and practices shared by all members in an industry and along supply chains. They can do this by creating transparency, sharing best practices, defining common rules, and setting standards. These collaborative partnerships will increase the impact and outreach of their sustainability strategies.
In order to create new space for economic and sustainable solutions and to scale-up the impacts, truly sustainable businesses will also have to engage in *changing the rules of the game*. After all, big sustainability problems like climate change, availability of water, and loss of biodiversity cannot be solved by business alone. Also, businesses are often punished by financial and consumer markets when they engage in serious sustainability strategies, as many soft drink companies are experiencing when looking for alternatives to address the causes of obesity. Such companies will not be able to address the real sustainability issues they are confronted with as long as the rules of the game are not changed. Engagement for changing the collective rules of the game may take many forms and range from changing accounting rules and standards for disclosing and internalizing sustainability risks and impacts, informing and educating customers about unsustainable choices and practices, to lobbying for taxes on resource consumption, emissions or for stricter standards for public health.

*Banks* need to address the enormous challenges to finance sustainable infrastructures for a world populated by 9 billion people of which an ever-increasing number live in mega-cities. They will have to shift funding from unsustainable investments to strategic projects of regional relevance (securing of water, food, etc.). According to the outside-in logic, banks start out evaluating relevant sustainability challenges in their societal contexts. They then evaluate and decide what challenges they can and want to contribute to. The choice will be among such issues as wealth and income inequalities, youth unemployment, old age assurance, climate change, energy efficiency and renewable energies, sustainable tourism, old-age provisions, assisted living, financing public health, education, or integrating of foreigners and migrant workers. Products and services will include packages of information and consultation, new forms of collaboration, public–private partnerships, new forms of financing and collaterals like microfinance, crowd financing, or people funds (e.g., www.kickstarter.com). Also, banks will have to address the challenges of systemic risks created by their collective behavior for societal groups (e.g., homeowners, students) and whole countries (e.g., Greece, Spain, Ireland, Iceland, Switzerland, the United States). The effectiveness of their strategies is measured by the contributions they make and the values thereby created for the different stakeholders and for the business itself.

*Food companies* will need to evaluate sustainability challenges and define the relevant issues for them, taking into consideration their exposure as well as their competencies to solve them. The choice will be among issues like alleviating poverty, access to clean and affordable water, providing healthy and affordable nutrition, or supporting smallholder farmers and distributors in developing countries. In developed countries, the issues are more oriented toward fighting over-consumption and obesity, providing healthy products for different ages, contributing to public health and healthy life-styles, sustainable agriculture, production and consumption, or fighting food waste. Products and services not only include healthy and balanced products but also new forms of health-related information and education for consumers, provided collaboratively with scientific and public organizations, and they may also include restraints from misleading and aggressive marketing. In developing countries, the emphasis of services and products will also relate to fighting hunger, securing human rights, supporting smallholder farmers and distributors, securing the availability of water, energy, and public health. In order to deliver organic or fair-trade products to the markets (e.g., textiles, coffee, tea, cacao, bananas, chicken), whole supply chains will have to be reconstructed and controlled, reaching from Third World farmers, to traders, processors, and end-user markets. Rule-changing strategies can be seen in the creation of new institutions securing sustainable supplies like the Marine Stewardship Council for fish and fisheries and the roundtables on sustainable soy or palm oil. They set new standards for sustainable practices and create transparency through certification. This changes the rules of the game for all or most competitors.

The key characteristics of our BST typology are summarized in Table 2.
As companies move to more ambitious and more effective levels of BST, three important shifts take place:

1. The relevant concerns considered by business shift from economic concerns to three-dimensional concerns (social, environmental, and economic) related to the sustainability challenges we are collectively facing.
2. The value created by business shifts from shareholder value to a broadened value proposition that includes all three dimensions of the triple bottom line (people, planet, profit).
3. The shift in fundamental organizational perspectives, from an inside-out perspective with a focus on the business itself to an outside-in perspective with a focus on society and the sustainability challenges it is facing. This moves the value creation perspective from the triple bottom line to creating value for the common good.

Each of these shifts has different consequences. A shift in concerns broadens the business agenda to include nonbusiness concerns in planning and actions. A shift in values created broadens the output and purpose of business activity to include nonbusiness goals. But only a shift in organizational perspective, from inside-out to outside-in, will allow a company to develop the strategies and the business models needed to make relevant contributions to overcome societal and planetary challenges, thereby contributing to the common good. This last shift is what we consider to be the sign of true BST.

**Conclusions and Discussion**

We hope that this article provides a basis for clarifying the meaning of BST. In order to achieve this we have made three contributions in particular. First, we provide a connection between the discussion about BST and the global challenges of SD. Linking business contributions to the global sustainability challenges enables us to assess their value for society and the planet. As a result, we will be able to differentiate between notable improvements to the triple bottom line on
one hand and contributions to improve or resolve relevant societal, environmental, and economic challenges on the other hand. Second, we provide a framework for the analysis of existing and emerging sustainable business models, differentiating between (a) the concerns considered by business, (b) the organizational perspectives taken, and (c) the different values created by sustainable business. Using this framework, we have analyzed and categorized major conceptual contributions to the BST debate. Third, we suggest a typology of BST, linking business-as-usual to Business Sustainability 1.0 (Refined Shareholder Value Management), Business Sustainability 2.0 (Managing for the Triple Bottom Line), and Business Sustainability 3.0 (Truly Sustainable Business).

This typology demonstrates that what has commonly been considered as “business sustainability” can be categorized into very different types. As part of this typology, we provide an answer to the question of what it means for an organization to be “truly sustainable,” namely, to solve the sustainability challenges we are collectively facing and thus to create value for the common good. We are not aware that the field of BST has brought forward a similar typology so far, and we hope that this article will launch a discussion on the meaning and types of BST.

While we are suggesting and portraying a progression in this typology toward a truly sustainable business, we do not seek to minimize or neglect achievements and contributions made by organizations that are currently operating in the BST 1.0 or 2.0 modes. It may well be a major challenge for large, existing businesses and industries to embrace the fundamental shift required to move on to BST 3.0. Operating in the BST 3.0 mode has deep consequences in many aspects of business and management. Some if not many of them run deep. They span not only the fields of governance, strategy, and business models but also culture and leadership. These consequences can only be mentioned but cannot be further discussed in this article (e.g., Eccles, Ioannoui, & Serafeim, 2012; Eccles & Serafeim, 2013; Haanaes et al., 2011; Haanaes et al., 2012; Kron et al., 2013; Moffat & Newton, 2010; Pless, Maak, & Waldman, 2012).

Business Sustainability 3.0 raises crucial questions in two different areas: How do we ensure that the business contributions to solving sustainability challenges and thereby creating value for the common good will indeed be done effectively and efficiently? And how realistic is it to expect commercially oriented businesses to refocus on sustainability challenges and value creation for the common good or will this be the domain for social businesses?

Dogmatic positions expressed by liberal economists like Friedman or von Hayek, which are reflected in the normative position of the shareholder value approach, question the legitimacy as well as the competency of business to address and solve social issues. The reality looks very different: Businesses today are expected by stakeholders and society to include social issues and they do in fact include them in their decisions. They do this to varying degrees and with highly variable impacts which are rarely evaluated according to clear metrics and remain mostly vague and hard to assess. Furthermore, businesses have the right to exercise their proper judgment in considering social issues, as exemplified by the “business judgment rule.” This rule asserts the right of corporate directors to address societal concerns as they relate to their business, as long as their decisions are made in good faith, with the necessary care, and with the reasonable belief that they are acting in the best interests of the corporation. One could claim that corporations indeed have all the necessary insight and knowledge about sustainability issues, maybe even more so than other societal actors. More importantly, corporations have the resources to effectively address such issues.

The question however remains: How do we ensure that business contributions addressing sustainability challenges will be indeed effective and efficient? Good business judgment is likely to limit business engagements in areas of little expertise. Yet to ensure effectiveness and efficiency we will need to create and develop the conditions in two interdependent areas: transparency and metrics. In order to evaluate, compare, and improve the business contributions to overcome sustainability challenges transparency is required with regard to decisions and actions taken by companies. But also transparency related to the effects and impacts of the actions taken.
Beyond communication and reporting on such contributions, external assurance will be of essence to satisfy the need of transparency. The work of the Global Reporting Initiative may serve as a good starting point. Effective reporting will need to focus more on depth and materiality, possibly at the expense of the breadth of issues. Furthermore, an effective assessment of the business contributions to sustainability issues requires adequate metrics and measures to assess and compare their impact. In this field, more work is required in order to come up with issue-specific metrics that reliably indicate improvements. In this area, the Sustainability Accounting Standards Board, which is developing industry-specific metrics on the materiality of sustainability issues, should offer a promising starting point (www.sasb.org; Eccles & Serafeim, 2013).

Becoming a truly sustainable business clearly is a challenge for companies, particularly for commercial business. Is it indeed realistic to expect commercially oriented corporations to focus their strategies on solving sustainability challenges and creating value for the common good? There are different issues to be considered in answering this question. First, solving sustainability problems the world is facing can be considered a strategic challenge like many other business challenges. For example, there is no reason to believe, that developing renewable energy technologies is more challenging and less rewarding than exploring oil fields in the deep sea or in arctic regions. Another example is nuclear energy, where handling it safely and economically over the whole life-cycle has shown to be a lot more challenging and costly than expected. And industry yet needs to acknowledge and address the substantial new risks involved in large-scale experiments related to the exploitation of gas and tar sands. Business has always explored new opportunities in new fields and has come up with innovative and economic solutions. We need to ask the question, however, why companies seem to have much less problems accepting high risks in certain highly unsustainable business areas than in some other more sustainable areas?

Second, Peter Drucker has rightly pointed out that social and global issues are “business opportunities in disguise.” Embracing these new opportunities may well require changes in the current rules of the game. But this also is not so new and not so different from what we have known for a long time, although industry pressures to keep up unsustainable rules still seem to dominate. For example, global subsidies for fossil fuels are still outnumbering by a factor of 6 those for renewable energies (International Energy Agency, 2011), and all attempts in changing this situation have been failing. This tilted situation strongly favors entrenched and unsustainable technologies while effectively preventing new and more sustainable energy solutions from taking their place at a much faster rate.

Without any doubt, there is significant room for commercially oriented businesses to become truly sustainable, although such an approach requires a fundamentally different strategic approach. It requires companies to start thinking and acting from the outside-in and remain focused on contributing to solving sustainability challenges, even if there are more economically attractive, but unsustainable alternatives available. As long as such outside-in strategies provide not only positive contributions to sustainability challenges but also offer a satisfactory economic value for the shareholders, such a strategic approach is feasible for commercial businesses. These strategies then fall into the domain of shared value creation.

There are, however, limits for commercial businesses to follow the true sustainability route, in particular when they have to live up to strong shareholder value-oriented pressures from financial markets. A key reason may be one of timing, with financial markets being very short-term oriented while true sustainability strategies—like many other strategies also—usually need a longer term perspective. Another reason for such limits may be a difference in fundamental value orientation. True BST cannot be achieved by solving sustainability issues incidentally or opportunistically, as such initiatives are typically cancelled as soon as the prospects for economic gain diminish. Instead, true sustainability requires a solid foundation in pursuing social benefits as a worthy cause as such, as it is the case with social businesses. May be it helps also to remind ourselves of the fact, that many big and successful corporations started out as social businesses, with, for example, Henri Nestlé providing baby-food to help mothers who were unable to
breastfeed and William Lever, a founding father of Unilever, helping to make cleanliness, hygiene, and health common place in Victorian England.

We agree with Peter Bakker (2012), president of the World Business Council for Sustainable Development, that business has both the opportunity and the responsibility to play an essential role in responding to and solving the societal and planetary sustainability challenges. But this will only be the case when business starts to live up to its possibilities by using its immense resources in a truly sustainable way. This may lead to a world, where business one day may indeed be celebrated for its contribution to society and is no longer criticized for achieving economic success at society’s cost.

Declaration of Conflicting Interests
The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding
The author(s) received no financial support for the research, authorship, and/or publication of this article.

Notes
1. They speak of “corporate sustainability.” We prefer to use the term business sustainability instead to prevent a particular reference of the former term to the corporate level. In our view, a reference to business seems to be crucial, although both terms are often used interchangeably.
2. We would like to point to two truly impressive addresses from recent presidents of the Academy of Management, that address the link to the societal macro level and our responsibility as scholars: Anne Tsui (2013) and Jim Walsh (2011).
3. For a deeper discussion of the critique by Crane et al. (2014) on the shared value approach by Porter and Kramer (2011) see the different contributions in Financial Times (2014).
4. We are grateful to an anonymous reviewer pointing out that there may be more a circular arrow going outside-in and inside-out as well. In this view, a company looks at what is happening with the pressing social and environmental issues in the world, but then also looks at what they have internally as abilities to lessen one or more of these issues. This circular arrow would mean that a company would regularly look at what they can do to better utilize their capabilities to make a more sustainable impact on improving the world.
5. We outline in a follow-on article (Muff & Dyllick, 2014) how this business sustainability typology may be applied to organizations by considering the various dimensions of ownership, governance, strategy, and culture, thus providing an organizational roadmap toward BST.

References


**Author Biographies**

**Thomas Dyllick** is a professor of sustainability management at University of St. Gallen. He is a managing director of the Institute for Economy and the Environment and University Delegate for Responsibility and Sustainability. He served 2 years as the dean of the Management Department and 8 years as the vice president of the university. He has cofounded the World Business School Council for Sustainable Business and codirected the 50 + 20 Initiative, a vision of management education for the world. He also is on the Executive Committee of the Swiss Sustainability at Universities Program.

**Katrin Muff** has been serving as the dean of Business School Lausanne since 2008, where she implemented a values-based approach based on sustainability, responsibility, and entrepreneurship. Her international business experience includes nearly a decade with Alcoa in Europe, the United States, and Russia. She worked for Iams Pet Food and has cofounded an incubator for early-seed start-ups. She has cofounded the World Business School Council for Sustainable Business and led the 50 + 20 Initiative, a vision of management education for the world. Her research focuses on the convergence of responsible leadership and sustainable business, with particular interest in transformational learning environments.
An organizational roadmap for Business Sustainability

Dr. Katrin Muff, Business School Lausanne, Switzerland
Prof. Dr. Thomas Dyllick, Institute for Economy & the Environment, University of St. Gallen, Switzerland

Abstract

The Business Sustainability Typology (BST) provides an answer to the difficult question of what business sustainability actually means and how to differentiate between beginning, intermediate and advanced levels in business practice. It offers a practical approach to evaluate different levels of integrating sustainability in business (Dyllick & Muff, 2015). While the Typology highlights three different shifts to move from business-as-usual to Business Sustainability Typology 1.0, 2.0 and 3.0, this article looks at organizational challenges and consequences for organizations in BST 1.0 and 2.0. Summarizing outcomes of leading current research in this field, the article offers concrete strategic support for companies in their sustainability journey.

Section 1 and 2 summarize the Business Sustainability Typology (Dyllick & Muff, 2015). Section 3 summarizes learnings and outcomes of existing leading research in the domains of ownership, governance, strategy and culture of BST 1.0 and 2.0 organizations. Section 4 discusses the top 10 business attributes required to advance towards business sustainability. Section 5 offers a view ahead and describes what BST 3.0 organizations might look like, and Section 6 concludes with implications and lessons learned for the three different types of business sustainability and the related shifts among them.

Key words: business sustainability, corporate sustainability, environmental, social and economic sustainability, triple bottom line, corporate social responsibility, responsible leadership, stakeholder engagement, alternative forms of ownership, financing sustainable business, organizational culture, sustainability culture, purpose of the firm

About the authors:

Katrin Muff serves as Dean of Business School Lausanne since 2008. Under her leadership, the school embraced sustainability, responsibility and entrepreneurship in a three pillar vision. Her international business experience includes nearly a decade with Alcoa in Europe, the U.S. and in Russia. She worked for Iams Pet Food as Strategic Planning Director and has co-founded a European incubator for early-seed start-ups. Muff researches in the interdisciplinary domains of education, business sustainability and leadership. She has co-founded the World Business School Council for Sustainable Business and is actively engaged in GRLI’s project 50+20, a vision of management education for the world. katrin.muff@bsl-lausanne.ch, Rte de la Maladière 21, 1022 Chavannes, Switzerland, Phone: +41 21 619 0606.

Thomas Dyllick has been a Professor of Sustainability Management at University of St. Gallen since 1993. He is Managing Director of the Institute for Economy and the Environment and University Delegate for Responsibility and Sustainability. After having served for 2 years as Dean of the Management Department and 8 years as Vice President of the University he has recently returned to his field of research. Dyllick is a pioneer in the field of business sustainability. He has co-founded the World Business School Council for Sustainable Business and is actively engaged in GRLI’s project 50+20, a vision of management education for the world. thomas.dyllick@unisg.ch, Tigerbergstrasse 2, 9000 St.Gallen – Switzerland, Phone: +41 71 224 2596.

This article builds on the article “Clarifying the meaning of sustainable business - Introducing a typology from business-as-usual to true business sustainability” (Dyllick & Muff, 2015, in Journal of Organization & Environment), as well as GRLI’s project 50+20 co-developed by the two authors and is intended as an example of how business research enables business to serve the common good.
1. Introduction

This article builds on the conceptual article by Dylick & Muff (2015) which introduces a Business Sustainability Typology (BST) describing three different types of business sustainability. The first two types, Business Sustainability Typology 1.0 and 2.0, can be observed already to varying degree in business and industry, while BST 3.0 represents a very different approach to business requiring not only a very different business philosophy but also different legal frameworks and mechanisms. We shall focus here on identifying concrete approaches for businesses to advance from business-as-usual towards business sustainability focusing on lessons learned in the area of BST 1.0 and 2.0. BST 3.0 is touched upon in a more hypothetical light only at the end, designing a space of development for business to become truly sustainable one day.

We shall first provide a summary of the Business Sustainability Typology and then investigate what this means concretely for business by providing an overview of existing research in this field to date. We shall summarize the findings in an overview of attributes of advanced sustainability companies with the purpose of enabling practitioners in business to apply these learnings to their organizations. Last but not least, we shall sketch a brief review of BST 3.0, the vision of true sustainability, concluding with limitations and further research opportunities.

2. Understanding the Business Sustainability Typology

Based on a simple “input-process-output” perspective on business, we proposed in our earlier article three different types of business sustainability. On the input side (what), there are different issues of concerns business chooses to consider and address. On the process side (how), there are different organizational perspectives business should take. And on the output side (what for), there are different values created a business should create or preserve (Dylick & Muff, 2015).

<table>
<thead>
<tr>
<th>INPUT</th>
<th>PROCESS</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerns</td>
<td>Organizational perspectives</td>
<td>Values created</td>
</tr>
<tr>
<td>What?</td>
<td>How?</td>
<td>What for?</td>
</tr>
</tbody>
</table>

Table 1: A framework for considering different approaches of business sustainability

On one hand, this approach offers a differentiated review of the existing theory and practice in business sustainability:

- **Concerns (what):** include “integrating short-term and long-term aspects” and the broad notion of “consuming the income not the capital” as proposed by Dylick/Hockerts (2002: 132), and “being accountable for the impacts of business decisions and activities” captured in the ISO 26000 standard on social responsibility (2011).

- **Organizational perspectives (how):** include “managing risks and opportunities” (Steger 2004 and 2006; Schaltegger 2006), “managing the downside by reducing costs or risks and building the upside by increasing revenues, market share or reputation” (Esty and Winston 2009; Nidumolu et al. 2009), and “embedding sustainability throughout the organization” (Eccles, Miller and Serafeim 2012; Laszlo and Zhemembayeva 2011; Miller Perkins 2011; Belz and Peattie 2012; Smith and Lensen 2009; Esty and Winston 2009; Epstein 2008).
- **Values created (what for):** include “integrating economic, ecological and social value creation” or the “triple bottom line” (Elkington 1997), “blended value” (Emerson 2003), “creating shared value” (Porter and Kramer 2011), the “common goods economy” (Felber 2010), “corporation 2020” (Sukhdev 2012) and the values created by “social enterprises” (EU Commission 2011).

On the other hand, we point out that it is far from clear what it means to integrate social and environmental issues with economic issues to achieve business sustainability. “While many companies have started to also consider longer-term, social and environmental aspects in their business, they rarely ask themselves what their contribution to resolving environmental, social or economic issues on a regional or global scale could be and should be. Such a positive contribution to society and the planet lies at the heart of a truly sustainable business.” (Dyllick & Muff, 2015).

Using the same criteria of analysis, we developed requirements of business sustainability using business-as-usual as premise:

- **Concerns: one-dimensional economic concerns vs. multi-dimensional sustainability concerns**
  While the traditional business perspective is one-dimensional with economic concerns taking center stage, the sustainability perspective includes three, sometimes even more different concerns. Sustainability typically addresses social, environmental and economic issues. Sometimes governance issues (in particular in the financial services industry) or culture (Werbach 2009) are added as further dimensions.

- **Organizational perspectives: inside-out vs. outside-in**
  Usually companies start from their existing business, strategy or product-lines and work on making them more sustainable (inside-out). This may lead them to incremental or radical improvements, depending on their cultural readiness and how far-sighted and courageous they are. “Such an inside-out perspective results in actions that are necessarily very limited in their contributions to solving the existing societal and environmental sustainability problems. True sustainability demands a radically different perspective by reversing the traditional inside-out logic to an outside-in logic, using sustainability challenges as the starting point to define possible contributions by business that also make business sense. When evaluating how particular competences and resources of a company can help solving the sustainability issues entirely new answers to business sustainability emerge. Such a change in perspective is crucial for achieving true business sustainability and well result in very different strategies, business models, products and services.” (Dyllick & Muff, 2015)

- **Values created: from shareholder value to stakeholder value and the common good**
  In the current economic paradigm, the purpose of business is to create economic value, which may be measured in terms of profit, return on assets, market share, competitive advantage or stock market valuation. The main if not exclusive beneficiaries of the corporation are its shareholders. Sustainability perspectives are broader and include different kinds of values, typically balancing economic value, environmental value and social value, the triple bottom-line of people, planet and profits. They serve a broader set of stakeholders, which are directly affected by the business activities. More ambitious approaches go beyond direct stakeholders and include also stakeholders who are only indirectly affected by business activities, or include in an even more abstract sense the “common good” (e.g. society as a whole, future generations, the health of the planet). In its broadest form a business serves the common good by resolving social, environmental and economic issues on both local and global levels, by applying its resources to such a collaborative task” (Dyllick & Muff 2015).
Having reviewed existing theory and practice as well as clarified the different dimensions of requirements for business sustainability, we develop the Business Sustainability Typology:

- **Business Sustainability 1.0:** “Corporate sustainability is an approach to business that creates shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.” (SAM and PWC, 2006)

- **Business Sustainability 2.0:** “Business sustainability is often defined as managing the triple bottom line – a process by which firms manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as people, planet and profits.” (Network for Business Sustainability, 2012)

- **Business Sustainability 3.0:** “Truly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society and the planet. A Business Sustainability 3.0 firm looks first at the external environment within which it operates and it then asks itself what it can do to help resolve critical challenges that demand the resources and competencies it has at its disposal.” (Dyllick & Muff, 2015)

The Business Sustainability Typology can be summarized in a schematic approach which highlights not only the definitions of the three types of business sustainability as compared to business-as-usual, but also points out the origin and order of the shifts from one type to the next:

<table>
<thead>
<tr>
<th>BUSINESS SUSTAINABILITY TYPOLOGY (BST)</th>
<th>Concerns (What?)</th>
<th>Values created (What for?)</th>
<th>Organizational perspective (How?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-as-usual</td>
<td>Economic concerns</td>
<td>Shareholder value</td>
<td>Inside-out</td>
</tr>
<tr>
<td>Business Sustainability 1.0</td>
<td>Three-dimensional concerns</td>
<td>Refined shareholder value</td>
<td>Inside-out</td>
</tr>
<tr>
<td>Business Sustainability 2.0</td>
<td>Three-dimensional concerns</td>
<td>Triple bottom line</td>
<td>Inside-out</td>
</tr>
<tr>
<td>Business Sustainability 3.0</td>
<td>Starting with sustainability challenges</td>
<td>Creating value for the common good</td>
<td>Outside-in</td>
</tr>
</tbody>
</table>

The key shifts involved: 1st shift: broadening the business concern 2nd shift: expanding the value created 3rd shift: changing the perspective

Table 2: Dyllick-Muff Typology of Business Sustainability and their key characteristics

Table 2 illustrates that there are three important shifts as companies move to more ambitious levels of business sustainability. These are:

1. “The relevant concerns considered by business shift from economic concerns to three-dimensional concerns (social, environmental and economic) related to the sustainability challenges we are collectively facing.

2. The value created by business shifts from shareholder value to a broadened value proposition including all three dimensions of the triple bottom line (people, planet, profit).
3. The shift in fundamental organizational perspectives from an inside-out perspective, with a focus on the business, its activities and interests, to an outside-in perspective, with a focus on society and the sustainability challenges it is facing. This shift results in the associated redefinition of strategies being driven by sustainability challenges thus reframing the business concerns (what), as well as the associated redefinition in values created from the triple bottom-line to a positive contribution to solving sustainability challenges and the creation of value for the common good.” (Dyllick & Muff 2015)

We highlight that only once the issues of concern shift from internal business concerns to external sustainability challenges “will a company be subsequently be able to develop the strategies and the business models needed to make relevant and positive contributions to solving societal and planetary challenges, while figuring out how this can be done in an economically viable way for the company.”

This shift from inside-out to outside-in is considered the sign of true business sustainability. Previous attempts to define business sustainability “have been both have been selective and partial in suggesting specific business responses to address the larger sustainability challenges. Our ambition has been to develop a more representative and comprehensive typology of all relevant approaches to Business Sustainability, thus creating an overarching framework integrating all three elements, the issues of concerns, organizational perspectives and values created” (Dyllick & Muff 2015).

It is important to note that typology does not minimize or neglect achievements and contributions made by organizations that are currently operating in the Business Sustainability 1.0 or 2.0 modes. It could indeed well be a nearly impossible challenge for large multinationals to transform into what we defined as a Business Sustainability 3.0 organization.

3. Measuring business sustainability: an overview of existing studies

Each of the phases of becoming a truly sustainable business holds its unique challenges. The same goes for the shifts required to move from one level of business sustainability to the next. We shall focus here primarily on BST 1.0 and 2.0 and the two related shifts from business-as-usual and onwards. It has been argued, that there are important business environmental framework conditions required before a shift to BST 3.0 is accessible for most stock-quoted business organizations.

So in order to advance towards sustainability, how does the executive team of an organization know where to start? What domains are impacted and what decisions enable effective results in this transformative journey?

The organizational challenges and consequences are manifold, however, research shows that they can be grouped into the following four broad domains of organizational development:

a) Ownership: financing, shareholders, time-horizon and value distribution
b) Governance: stakeholder engagement, measuring, transparency and reporting
c) Strategy: business models, products and services
d) Culture: leadership, innovation and organizational behavior

What do research and current studies reveal in terms of the four domains identified above and what can we learn from them? We will look at a select few recent empirical contributions from Haanes et al., from Eccles, Ioannou and Serafeim, Miller-Perkins, and Pless, Maak and Waldmann.
The purpose of this section is to provide an overview of what we know in this emerging field of research and practice, and to highlight opportunities for future research.

a) Ownership, financing, time-horizon, shareholders and value distribution

While we have not found any existing research that compares sustainability firms with business-as-usual firms with regards to their differences in the composition of shareholders, investors, sources of financing or the ultimate value distributions, there is one recent study that sheds light on the long-term financial performance of sustainability vs. normal companies. Eccles, Ioannoui and Serafeim (2012) investigated the effects of corporate sustainability practices on a large number of aspects of corporate behavior and performance outcomes.

Using a matched sample of 180 companies they found that companies that adopted environmental and social policies by 1993, firms they called “High Sustainability Companies (HSC)”, exhibited fundamentally different characteristics from a matched sample of firms that adopted none of these policies, firms they call “Low Sustainability Companies (LSC)”. The LSCs correspond in our business sustainability typology to “business-as-usual companies”, whereas the so-called HSCs correspond to what we call “Business Sustainability 1.0 or above” companies (Dyllick & Muff 2015).

Eccles et al. evaluated the financial performance on a number of different domains including the cumulative stock market performance, the volatility of the stock price, the accounting performance, as well as a sector specific comparison. A detailed analysis (see table 3) reveals evidence that HSCs significantly outperform LSCs over the long-term, both in terms of stock market and accounting performance. $1 invested in 1993 in HSCs and LSCs would result in a cumulative stock performance of $15.4 vs. $11.7 and a return on equity of $15.8 vs. $9.3 respectively. The findings are critical and demonstrate that companies can adopt environmentally and socially responsible policies without sacrificing shareholder wealth creation long-term.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Underlying values (2009)</th>
<th>Business-as-usual</th>
<th>BST 1.0 / 2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low sustainability companies</td>
<td>High sustainability companies</td>
</tr>
<tr>
<td>Financial performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cumulative stock market performance</td>
<td>Return on Portfolio of firms:</td>
<td>Investing $1 in a portfolio in 1993:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Value-weighted</td>
<td>$14.3</td>
<td>$22.6</td>
</tr>
<tr>
<td></td>
<td>- Equal-weighted</td>
<td>$11.7</td>
<td>$15.4</td>
</tr>
<tr>
<td></td>
<td>Annual abnormal performance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Value-weighted (equal-weighted)</td>
<td>4.8% (2.3%)</td>
<td></td>
</tr>
<tr>
<td>2. Volatility of stock price</td>
<td>Volatility of stock:</td>
<td>Monthly standard deviation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Value-weighted</td>
<td>1.72%</td>
<td>1.43%</td>
</tr>
<tr>
<td></td>
<td>- Equal-weighted</td>
<td>1.79%</td>
<td>1.72%</td>
</tr>
<tr>
<td>3. Accounting performance</td>
<td>Return on Assets:</td>
<td>Investing $1 of assets in 1993:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Value-weighted</td>
<td>$4.4</td>
<td>$7.1</td>
</tr>
<tr>
<td></td>
<td>- Equal-weighted</td>
<td>$3.3</td>
<td>$3.5</td>
</tr>
<tr>
<td></td>
<td>Return on Equity (book value):</td>
<td>Investing $1 of book value of equity in 1993:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Value-weighted</td>
<td>$25.7</td>
<td>$31.5</td>
</tr>
<tr>
<td></td>
<td>- Equal-weighted</td>
<td>$9.3</td>
<td>$15.8</td>
</tr>
<tr>
<td>4. Sector specific comparison</td>
<td>The B2C sector (as compared to B2B)</td>
<td>Significant at 5% level</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sectors driven by brands and reputation</td>
<td>Significant at 5% level</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sectors involving extraction of large amounts of natural resources</td>
<td>Significant at 10% level</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Comparing the long-term financial performance of LSCs vs. HSCs (source: Eccles et al, 2012)
Another important aspect that differentiates companies that are embedding sustainability from those that keep running their business as usual, is the way they consider time (see table 4). The keyword ratio of >1yrs vs. >1yrs statements of 1.08 vs. 0.96 for HSCs vs. LSCs indicates that high-sustainability companies focus on a longer-term horizon when they communicate with their analysts and financial investors. These companies also work on and succeed to attract dedicated, and thus longer-term, investors rather than transient, short-term investors (see table 4). However, as the numbers suggest, high sustainability companies are still far from attracting more dedicated than transient investors, as both HSCs and LSCs still attract more transient than dedicated investors.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Underlying values (2009)</th>
<th>Business-as-usual</th>
<th>BST 1.0 / 2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low sustainability companies</td>
<td>High sustainability companies</td>
</tr>
<tr>
<td>Long-term time horizon</td>
<td>Ratio of keywords relating to &gt;1yr vs. &lt;1yr</td>
<td>0.96</td>
<td>1.08</td>
</tr>
<tr>
<td>1. Adopting a longer-term approach as part of the corporate culture</td>
<td>Focus on a longer-term horizon in communication with analysts and investors</td>
<td>Dedicated minus transient investors</td>
<td>-5.31</td>
</tr>
</tbody>
</table>

Table 4: Comparing the long-term horizon of LSCs vs. HSCs (source: Eccles et al, 2012)

In conclusion, when considering how we have differentiated between the three types of Business Sustainability Typology in our earlier article, we can suspect that the further companies advance in embedding sustainability into the core of their business, the more such firms will differentiate from more traditional (business-as-usual) firms in regards to their composition of shareholders, investors, sources of financing or the ultimate value distributions.

b) **Governance: stakeholder engagement, measuring, transparency and reporting**

The study of Eccles et al. (2012) furthermore suggests that a sustainability-oriented governance may well be one of the factors for “high sustainability companies” to secure a competitive advantage and outperform “low sustainability companies” in the long-run. Such proof is very helpful as it may well incite traditional firms to embrace sustainability beyond the required regulatory requirements, thus moving from our definition of “business-as-usual” to BST 1.0 or BST 2.0, depending on the measurement. The following five governance-related internal characteristics “appear to be contributing factors to a potentially persistent superior performance in the long-term” achieved by HSCs (Eccles et al. 2012: 33):

1. A distinct governance mechanisms for sustainability
   - Active engagement and accountability of Board of directors regarding environmental and social performance
   - Link executive compensation (partially) to sustainability objectives
2. A superior engagement model with (some) stakeholders
   - Establishing a relationship of mutual trust, cooperation and longer-term horizon with stakeholders
   - Using sustainability standards to select and evaluate the relationship with suppliers in order to measure the quality of the relationship
3. A greater attention to nonfinancial measures regarding employees

---

1 Measures not relevant and results not conclusive: large firms more likely to have dedicated investors, and high-growth firms communicate on long-term results
4. A greater emphasis on using external environmental and social standards for suppliers

5. A higher level of transparency in their disclosure of non-financial information
   - Using objective, third-party auditing or assurance
   - Greater willingness to be transparent in the external reporting of the company’s performance.

In terms of stakeholder engagement, Eccles et al. (2012) compares the different types of companies with regard to a “superior engagement model” as expressed in a relationship of mutual trust, cooperation and longer-term horizon with stakeholders.

For instance, while “high sustainability” firm significantly differentiate from “low sustainability” firms by making the board of directors formally responsible for the firm’s sustainability (53% vs. 22%), a truly sustainable organization would in addition also include all of their stakeholders in the board and thus abandon the creation of a separate board committee for sustainability issues (41% vs. 15%), which can be considered a transient phenomenon in early phases of embedding sustainability.

In terms of stakeholder engagement, Eccles et al. (2012) compares the different types of companies with regard to a “superior engagement model” as expressed in a relationship of mutual trust, cooperation and longer-term horizon with stakeholders. While “high sustainability” firms are much more advanced in adapting sustainability policies as compared to “low sustainability” firms (50% vs. 10%), we could expect that 100% of truly sustainable firm have achieved that goal (see table 6).

Interestingly, Eccles et al. split stakeholder engagement in a prior to, during and after the stakeholder engagement process, as if the engagement of stakeholders was a campaign with a start and an end date.

When looking at the various aspects of the dimensions of measuring, reporting and transparency of sustainability, we can observe again significant differences between “high” and “low” sustainability firms (table 7). It is interesting to observe the trends in measuring where some measurements have become standard practice even for traditional firms (e.g. tracking health and safety performance of employees; deploying customer engagement processes; labor standards; using objective third party audits and assurance), while other aspects still show significant variation.

While Eccles et al. (2012) reveal an important gap between high sustainability companies and low sustainability companies; we are interested to understand to what an extent these “high sustainability” companies reveal the behavior of truly sustainable business. We derive from the argumentation of the authors that the implicit assumption of the working paper appears to be that sustainability strategies are pursued by companies to increase primarily their competitiveness and their shareholder value. We have framed such reasoning as a refined shareholder value management (BST 1.0). As far as we can tell, the working paper uses or suggests only some measures that suggest BST 2.0 firms.

c) Strategy: business models, products and services

BCG and MIT Sloan Management Review started a research project in 2009 whereby they have monitored and recorded for three consecutive years how big international companies accepted and approached sustainability management, surveying some 3000 business executives from around the world. The reported progress these companies have made is nothing short of impressive. These executives express a strong consensus that sustainability is having—and will continue to have—a significant material impact on how such multinational companies think and act. Furthermore, the study suggests that this commitment has survived the economic downturn. A summary of key findings of this three-year research project reveals:
- The percentage of executives who agree that sustainability-related strategies are necessary to be competitive moved up from 55% in 2011 to 67% in 2012. A further 22% are convinced it will be necessary in the future (Haanaes et al. 2011 and 2012).
- The percentage of executives who say their organization’s commitment to sustainability (management attention & investment) has increased in the past year moved up from 59% in 2011 to 68% in 2012. A further 26% say there have been no changes (Haanaes et al. 2011 and 2012).
- The greatest benefits to the organizations in addressing sustainability are improved brand reputation (49%), reduced costs due to energy efficiency (28%) and increased competitive advantage (26%) (Haanaes et al. 2011).
- While BCG/MIT identified 24% of all companies in 2011 as “embracers”, companies that are implementing sustainability-driven strategies widely in their organizations and have largely succeeded in making robust business cases for their investments, they found 31% “harvesters” in 2012, companies that said that their sustainability-related strategies added to their profits (Haanaes et al. 2011 and 2012).
- Embracers share a few specific characteristics: they are not embedding sustainability-oriented resources into pre-existing organizational structures, but are adopting new structures, new lines of communication and new performance metrics; they are demonstrably more successful in making the business case for sustainability; and they don’t only change themselves in response to sustainability considerations, but they also become more collaborative with stakeholders inside and outside their companies (Haanaes et al. 2012).

According to these studies, the progress in companies picking up sustainability strategies and embedding these in their organization is remarkable. BCG/MIT call the more progressive companies first early adapters, then embracers and most recently harvesters, making it sound rather obvious and easy to turn sustainability into business success. But is it really that simple?

To answer this question, we need to understand the implicit organizational model from which the resulting questions concerning organizational characteristics are derived. Looking more deeply into the BCG/MIT research, we are struggling with two key concerns.

First, the BCG/MIT study assumes implicitly that sustainability strategies are pursued by companies to increase their competitiveness and their shareholder value. Such reasoning refers to what we have termed BST 1.0, or refined shareholder value management. If and what the surveyed sustainable companies contribute to social or environmental value creation (BST 2.0) or to solving regional or global sustainability challenges (BST 3.0) cannot be answered by these studies as these additional two dimensions have not been addressed. The implicit perspective applied by BCG/MIT is strictly a maximizing business performance perspective. As a result, we know less than we wish about a company’s contributions to sustainable development from these studies.

Second, the study does not clarify what the interviewed executives interviewed really understood by the term “sustainability”. The 2011 study reveals that executives interpret the term “sustainability” mostly in its economic dimension and relating it to the organization from this one-dimensional perspective (i.e. considering financial performance as a key measure). As such “sustainability” is viewed primarily as having an increased focus on the company’s long-term perspective. The other two dimensions of sustainability, namely the social or corporate social responsibility (CSR) and the environmental or
ecological aspects are rated lowest among the 6 possible considerations factored in by the respondents (Haanaes et al. 2011: 23; Question 2). The survey merely confirms that executives continue to focus their attention primarily on their companies’ financial performance, long before considering CSR or environmental issues. To thus conclude that these executives and their multinational organizations are moving ahead to integrate and embed sustainability to the degree suggested seems largely overstated.

As long as executives and companies define sustainability only from its economic perspective, thus primarily seeking to achieve the longevity of the organization by adapting a longer-term perspective, true sustainability is not achieved. In our previous article, we define all forms of business sustainability as attempts to embrace broader concerns of the planet and society, above and beyond a mere isolated economic perspective. We are thus less optimistic about the progress already achieved by multinational corporations worldwide than the BCG/MIT research leads us to believe (Dyllick & Muff, 2015).

*d) Culture: leadership, innovation and organizational behavior*

One of the most critical elements in determining the starting base from which a company embraces its journey towards sustainability is to understand its culture. A practical way of evaluating where a company stands is to look at the Competing Values Framework\(^2\). The framework marries the dimension of flexibility vs. stability with the dimension of internal vs. external focus. We may conclude that a stable, internally-focused company is likely to tolerate much less ambiguity than a flexible, externally-focused company.

There is an obvious need for congruence between an organizational culture and sustainability strategies. It is estimated that a flexible, externally-focused company is more likely to succeed sustainability strategies that require a deep change such as reconsiderting its product and service offering or including sustainability into its strategy, than a internally-focused, stable company that may be more included to increase efficiency and saving cost in a series of incremental change.

While the culture of a company is no doubt of critical importance to understand what kinds of transformational shifts a corporation can envision, much has been written about the importance of the leader in making such transformations happening. Pless, Maak & Waldman (2013) provide an interesting framework to understand the individual leadership level in implementing sustainability in business. They have interviewed CEO and Presidents of organizations recognized as being sustainability companies and have studied how the tension between a leader’s intentions expressed in interviews and the observable actions in terms of value creation. The authors suggest four types of leaders starting with the traditional economist, the opportunity seeker, the integrator and ultimately the idealist.

The Pless et al. model provides an interesting addition on the individual leader’s level to our attempt to create a framework on the organizational level. Further research will be needed to establish if we could suggest that the *traditional economist* represents business-as-usual, the *opportunity seeker* represents the underlying thinking behind Business Sustainability 1.0. *Integrators* are the emerging BST 2.0 pioneers and the *idealist* expresses our suggested truly sustainable company of BST 3.0 (see figure 1).

---

Pless et al. provide also an attempt to translate the impact of a leader’s mindset on the resulting position of the corporation of the leader. As such, they also highlight a number of related traps associated with these four positions. The idealist might be trapped in the underperformance trap, while the integrator risks facing a prioritization trap. The opportunity seeker might have to face the credibility trap, while the traditional economist risks being exposed to the myopia trap.

What if we could place companies on this framework? Pless et al. provide an interesting perspective of where the authors place some well-known corporations and how some of them have shifted in recent years (see figure 2). The corporate sustainability pioneers are placed in the top left corner as “integrators” living both humanistic values and pursuing multi-dimensional goals in their value creation. We also see how the Grameen Bank has shifted from an originally idealist position to an integrator position, and how BP has reversed its shift from a traditional economist to an opportunity seeker back in the 90s to return back to the traditional economist’s position.

The question remains however how we measure organizations in their corporate actions. While Pless et al provide insight on the individual level; Miller Perkins offers a glance at the organizational level of transformative change towards sustainability.
The SCALA report\(^3\) offers an interesting insight into how “sustainable” companies (defined as “early adopters”) differentiate themselves from those operating in the “business as usual” model (defined as “others”). It compares the two organizational modes (BST1.0 and business-as-usual in our language) on the following dimensions: organizational leadership, organization systems, organizational climate, change readiness, internal stakeholders and external stakeholders.

Miller Perkins summarizes her findings by drawing a three step process for organizations to become sustainable:

- **Level 1:** The organization merely predicts and complies with consistently evolving regulations
- **Level 2:** The company aggressively seeks savings in energy costs and efficiencies in the supply chains
- **Level 3:** The company looks for ways to achieve a competitive advantage.

These steps reveal that the implicit assumption of the study appears to correlate to how a refined sustainability management model which we have defined as BST 1.0. In terms of organizational leadership, employees of “sustainable” companies considers that their leaders are capable of inspiring (97% vs. 83% of normal companies) and that their leaders collaborate well across boundaries (93% vs. 76%). There are important differences in the organizational climate, namely continuous learning is a core focus of the organization (93% vs. 71%), people are encouraged to learn new things about sustainability from external sources (86% vs. 53%), the level of trust is high in their organization (87% vs. 77%), people from different departments find it easy to communicate with each other and work effectively (87% vs. 59%), our people are good at resolving conflicts effectively (90% vs. 65%), and innovation is rewarded here (87% vs. 59%). These are some pretty solid indications for business wondering what they can do to improve their sustainability culture!

Another clear indication is the employee perception of their organization’s change readiness, which looks a strong track records of implementing large-scale change successfully (89% vs. 37%) and strong track record of implementing incremental (small, continuous) change successfully (97% vs. 88%). While both capabilities are important, each of these is important to progress through different shifts in the Business Sustainability Typology. Implementing large-scale change successfully implies a fundamentally more advanced corporate culture in terms of change readiness than successfully implementing continuous change.

Furthermore, there are distinct and important differences in how employees feel they are valued by their company (93% vs. 65%) and if the company actively seeks suggestions and input from all internal stakeholders (90% vs. 65%). Not surprisingly, sustainable companies are viewed to have a clear strategy for engaging all internal stakeholders in their sustainability efforts (71% vs. 30% of normal companies). An emerging and growing element is how companies are viewed from the outside. When employees are asked if their company sends a clear and consistent message to external stakeholder about their commitment to sustainability 96% of sustainable company employees confirm (vs. 63% of others) – see figure 3.

---

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Indicators</th>
<th>Early adopters (sustainable)</th>
<th>Others (business as usual)</th>
</tr>
</thead>
</table>
| Organizational leadership| Leaders are capable of inspiring  
Leaders collaborate well across boundaries                                     | 97%                          | 83%                         |
|                          |                                                                           | 93%                          | 76%                         |
| Organization systems     | No statistically relevant differences                                        |                              |                             |
| Organizational climate   | Continuous learning is a core focus of the organization                    | 93%                          | 71%                         |
|                          | People in this organizations have enough time to reflect and think about the outcomes of their actions | 23% disagree (not stat.relevant) | 53% disagree (not stat. relevant) |
|                          | People are encouraged to learn new things about sustainability from external sources | 86%                          | 53%                         |
|                          | The level of trust is high within this organization                        | 87%                          | 77%                         |
|                          | People from different departments find it easy to communicate with each other and to work effectively | 87%                          | 59%                         |
|                          | People in this organization are good at resolving conflicts productively    | 90%                          | 65%                         |
|                          | This organization rewards innovation                                        | 87%                          | 59%                         |
| Change readiness         | Strong track record of implementing large-scale change successfully         | 89%                          | 37%                         |
|                          | Strong track record of implementing incremental (small, continuous) change successfully | 97%                          | 88%                         |
| Internal stakeholders    | Most employees believe that the organization values them and their contribution | 93%                          | 65%                         |
|                          | Company demonstrates concern for meeting its employee’s needs and expectations | 100%                         | 83%                         |
|                          | Company actively seeks suggestions and input from all internal stakeholders affected by activities in the organization | 90%                          | 65%                         |
|                          | Company has a clear strategy for engaging all internal stakeholders in its sustainability efforts | 71%                          | 30%                         |
| External stakeholders    | The company sends a clear and consistent message to external stakeholders about its commitment to sustainability | 96%                          | 63%                         |
|                          | The company is viewed by the public as ethical                               | 100% (81% strongly)         | 93% (43% strongly)          |

Figure 3: Overview of the sustainability culture and leadership assessment (source Kathy Miller Perkins)

We are left to find out how firms in the area of BST 2.0 and beyond differentiate themselves in terms of their approach, implementation, measurement, priorities and success criteria from the above business-as-usual and BST 1.0 (early adapters) firms. We consider it of critical important to identify best practice examples from around the world across different industries to understand how organizations can move through the business sustainability framework to become truly sustainable. These challenges form an integral part of our global research project which is currently being prototyped within the 50+20 framework\(^4\) at Business School Lausanne\(^5\).

\(^4\) Vision 50+20 describes a vision of management education for the world. More information [www.50plus20.org](http://www.50plus20.org)

4. How to advance towards business sustainability: critical business attributes

How can these research conclusions serve business practitioners concretely to advance in their sustainability journey? In an attempt to summarize the above discussion deriving from currently available research, we have developed a 10-point list of critical attributes of advanced business sustainability firms, as follows:

1. **Sustainability-oriented governance**: HSC actively engage and account the board of directors on environmental and social performance.

2. **Holistic reward systems**: HSC pay greater attention to nonfinancial measures for employees, link executive compensation to sustainability objectives, and reward innovation.

3. **Stakeholder engagement**: HSC focus on establishing relationships of mutual trust, cooperation and longer-term horizon with stakeholders and use sustainability standards to select and evaluate the relationship with suppliers.

4. **More transparency**: HSC display a higher level of transparency in their disclosure of non-financial information and use objective, third-party auditing and assurance.

5. **Congruence between culture and strategy**: HSC are estimated to be more flexible and externally-oriented than LSC with a more fixed and internal orientation. HSC are perceived as actively seeks suggestions and input from all internal stakeholders and as having a clear strategy for engaging all internal stakeholders in their sustainability efforts.

6. **Strong leadership**: While LSC have leaders that fit a traditional economist mind frame, HSC leaders are considered opportunity seekers, integrators and idealist. Furthermore, HSC differentiate from LSC with more of employees considering their leaders to be capable to inspire and able to collaborating well across boundaries.

7. **Organizational climate**: HSC differentiate with a higher level of trust in the organization, easy inter-departmental communication and collaboration, employees feeling valued, a higher focus on continuous learning, and an encouragement to learn about sustainability from external sources.

8. **Change readiness**: HSC demonstrate both a strong track records of implementing large-scale change and incremental (small, continuous) change successfully and more employees suggesting that “our people being good at resolving conflicts effectively”.

9. **Clear and consistent external communication on sustainability**: Employees of HSC strongly confirm that their company sends a clear and consistent message to external stakeholder about their commitment to sustainability.

10. **Time horizon**: HSC focus on a longer-term horizon when they communicate with their analysts and financial investors and succeed in attracting more long-term investors than LSC.

These ten dimensions of organizational attributes offers a practical stepping stone for organizations to a) establish where they currently stand, b) determine likely area which can be embraced for change, in order to c) decide where they would like to be in future in terms of these attributes.

One of the questions we are grappling with is the question of how the different logics of ethics (utilitarian, deontological, consensual and fairness ethics) impact both the underlying belief system of leaders and their organizations but more importantly to what degree these logics dictate the
communication of why a company is engaging in sustainability. The utilitarian perspective perfectly matches the currently dominant neo-liberal business paradigm and companies or business leaders that may have different inner-motives may choose to communicate their ambitions and vision using a utilitarian language in order to be understood by what they estimate to be the dominant majority of their audience.

We need to gain a better understanding of the extent and degree to which the societal framework and context is critical to advance this organizational transformation towards true sustainability. Existing and anticipated incentives, laws and regulations have played an important role in advancing corporations from business-as-usual to BST 1.0. While most sustainability experts agree that the legal framework will be significantly too late to force the kind of deep change that is needed for the business community to achieve the shift that is needed to “save the planet”, we do recognize that changes in law, regulations and procedures will be an important contributor in this change process. Further research is needed to understand where and to what degree the legal framework and societal pressure are indeed of critical importance and instrumental to provoke the required shift in business.

5. Looking ahead: what might a Business Sustainability 3.0 firm look like?

The single biggest business challenge in the coming decade can be defined as follows: how can organizations that wish to become sustainable actually become truly sustainable? While we know that there is a majority of executives with a desire to implement sustainability, we also know that only a minority concrete knows how to go about it.

Furthermore, even though we have first insights into how high-sustainability companies are different from low-sustainability companies, and we make assumptions of how such high sustainability are different from what we consider to be truly sustainable companies, we know hardly anything about correlations, causalities and interdependencies between these traits.

To what degree do current sustainability indices such as the Wall Street Sustainability Index (WSSI) provided by Down Jones Index (DJI) and Sustainable Asset Management (SAM) to pick just one, accurately reflect a company’s “temperature”? Or do investors and consumers alike remain in the dark when trying to figure out which organizations has attempted this courageous quantum leap and which company is using sustainability simply to better their corporate image while further enhancing their profitability? An important aspect of being able to operationalize sustainability in its different stages in order to measure the different performances is to materialize sustainability issues by industry. Current and pending work by the Sustainable Accounting Standards Board (SASB) provides an excellent basis for such measurements.

Let us look at what truly sustainable organizations (B.S. 3.0) would do as compared to the HSCs and LSCs (see appendix). These suggestions are provided to better frame the results obtained by Eccles et al. and to stress the significant difference between earlier stages of business sustainability and true business sustainability.

The biggest hold-back in shifting towards a BST 3.0 firms may well lie in the current dominant thinking and regulations around ownership. It is questionable that a stock-quoted firm may indeed be able to

---

7 Currently available is an overview of 43 material issues in the 6 industries of the health care sector [www.sabs.org]
shift from BST 2.0 to BST 3.0 while continuing to report to investors in such a profit-maximization and investment return climate. While Paul Polman (CEO of Unilever) has demonstrated in an impressive way how an organization can indeed shift from BST 1.0 to BST 2.0 in the ownership dimension by informing its investors that the organization is interested in long-term investors only, we have seen few followers of such a courageous practice. It remains to be seen, how organizations or divisions of organizations that are quoted on the stock exchange may gain the kind of freedom from investors to shift to business practices associates with a BST 3.0 philosophy.

For instance, while a BST 2.0 firms make the board of directors formally responsible for the firm’s sustainability, a truly sustainable organization would in addition also include all of their stakeholders in the board. A BST 3.0 might thus abandon the creation of a separate board committee for sustainability issues, which can be considered a transient phenomenon in early phases of embedding sustainability. BST 2.0 firms are much more advanced in adapting sustainability policies as compared to BST 1.0 companies, yet we could expect that 100% of BST 3.0 firm would have achieved that goal of a “superior engagement model” which is expressed in a relationship of mutual trust, cooperation and longer-term horizon with stakeholders (see appendix). In terms of stakeholder engagement, we would assume that truly sustainable companies would have fully integrated all stakeholders across all pertinent decision processes. Our assumptions for truly sustainable firms show the stretch goal across all aspects and dimensions. When looking at the various aspects of the dimensions of measuring, reporting and transparency of sustainability, our comments in the appendix for truly sustainable firms show that there is significant room for improvement in almost all aspects and dimensions considered. It is of some comfort that clear differences have been identified between traditional business-as-usual firms and firms involved in embedding sustainability. It is, however, equally important to recognize that BST 1.0 and 2.0 companies are far from what is described as a BST 3.0 or truly sustainable company.

What would the characteristics used by Eccles et al. look like if reinterpreted from the perspective of a truly sustainable business, or Business Sustainability 3.0? In terms of governance structure, sustainability in all its dimensions, would a fully integrated responsibility of the board and top management would be evaluated based on a balanced and holistic sustainability metric. In terms of stakeholder engagement, the superior engagement model would be replaced by the recognition and understanding that establishing a relationship of trust, cooperation and longer-term horizon is a continuous task not a one-time project, and needs to be fully integrated in strategic and operational processes. Companies may introduce voluntary penalties if mutual agreements are violated and managers could be sent to work temporarily alongside all relevant stakeholders in order to become co-owners of the processes.

In terms of long-term communication with analysts, rather than just talking slightly more about issues beyond the 1 year horizon, we would consider it important for the company to talk significantly more about the longer-term. Also, dedicated investors should outnumber transient investors. There have been excellent examples of how large stock-quoted companies have not minced with words to clarify what kind of investors they wish to attract (Unilever and Apple as the best known examples). These examples seek to demonstrate the width and breadth of opportunities and options that can be considered as a company moves into the direction of becoming truly sustainable (see table 1).

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>High sustainability companies (BST 1.0-2.0)</th>
<th>Truly sustainable firms (BST 3.0)</th>
</tr>
</thead>
</table>
| Governance structures   | - Only 40-50% assign a formal responsibility for sustainability to the board  
                        | - Only 18-35% assign some kind of environmental, social or customer oriented performance metric to the top management | - Sustainability in all its dimensions must be a fully integrated responsibility of the board  
                        |                                | - Top management is evaluated based on a balanced & holistic sustainability metric (covering environmental, social and economic measures equally) |
Stakeholder engagement
- The measures used for the “superior engagement model” are divided into before/during/after a stakeholder engagement process (some 15-46% engage in the various activities). A sectional approach is fundamentally flawed.
- Establishing a “relationship of trust, cooperation and longer-term horizon” is a continuous task and needs to be fully integrated in strategic and operational processes.
- We suggest voluntary penalties for companies violating mutual agreements
- We suggest managers work temporarily at various stakeholders, who themselves become co-owners of different processes.

Longer-term horizon
- Firms communicate only slightly more about >1 year issues than <1 year issues (ratio 1.08 vs. 0.96)
- HSCs have only 3% more dedicated investors than LSCs, but transient investors still dominate
- We suggest that they should report significantly more about the longer-term (ratio of 5)
- We suggest that dedicated investors should clearly outnumber transient investors by a factor of 2 to 3

Measurement & disclosure
- Employee engagement and well-being is measured mainly through reporting of fatalities, near-misses and serious accidents. These are basic pre-conditions of well-being not indicators.
- There is no statistically relevant difference between LSCs and HSCs in the customer engagement process
- Only a few standards are applied to select and evaluate the quality of the suppliers engagement
- Objective, 3rd party audit or assurance is not really conducted (except AA1000 and GRLI G3)
- Willingness to be transparent in external reporting is limited (<30%). Validity of criteria is questioned
- Employees are co-responsible for developing their and their colleagues’ potentials. We suggest to measure job fulfillment and work-life balance.
- Suggested relevant indicator would be to measure the contribution of products/services to the well-being of the customer and to society
- We suggest a rating based on a comprehensive analysis of the supplier, incl. the supplier’s environmental and societal impact on society
- We suggest the Common Goods Matrix (Felber 2010) as a holistic measurement tool
- We need specific standards here. These must go beyond comparing ratio of nonfinancial vs. financial keywords

Table 5: Comparison of High Sustainability Companies and Truly Sustainable Firms (Business Sustainability 3.0)

While we have gained some insight into what differentiates BST 1.0 firms from business-as-usual corporations in terms of organizational characteristics, there is still little we know about how to actively engage a company in its transformation to serve the common goods. We suspect that more advanced sustainability organizations may indeed use a variety of new organizational forms, including the B-CORP but also more loosely-organized citizen initiatives as have been emerging around the world. We anticipate that it is easier to start a new organization, business or initiative that fits the Business Sustainability 3.0 model, than attempting to transform an existing business organization towards this model. However, as we consider the shift from business-as-usual and Business Sustainability 1.0 to a more advanced perspective that underlines that Business Sustainability 2.0 and a total new paradigm that underpins Business Sustainability 3.0 as critical to the achievement of our global common goal of “9 billion people living well and within the planet” (WBCSD Vision 2050), we will need to enable and support existing medium and large-sized companies to successful transform their purpose and operations into these advanced forms of business.

6. Conclusion: implications for the different business sustainability types

The above attempt to place Business Sustainability 3.0 in the context of high sustainability companies has enabled us to ask ourselves a deeper and more complicated question: What are the challenges, risks
and opportunities related to shifting from one type of business sustainability to the next. As such we may consider the different BST types in terms of definition:

- **Business-as-usual**: Following strictly legally required minimal activities and managing risks
- **BST 1.0**: Creating shareholder value; embracing opportunities and managing risks; based on new environmental, social and economic developments
- **BST 2.0**: Broadening the stakeholder perspective; re-defining their business models and products/services to reflect a triple bottom line approach; process by which firms manage their financial, social and environmental risks, obligations and opportunities; these goals and values are addressed through particular programs, measured and reported about
- **BST 3.0**: A re-definition of internal capabilities, competencies and resources in service of societal issues; new strategies, business models, products/services as a voluntary & pro-active response to societal, environmental or economic issues/challenges; typically an active collaboration with non-market actors across all sectors; changing the rules of the game in order to generate a significant positive impact in critical and relevant areas for society and the planet

While anything but obvious, we have attempted to answer this question by considering a number of distinguishing criteria which hopefully enable the reader to better understand the underlying implications and differences of the Business Sustainability Typology. We consider in each of these criteria, how the different types differentiate and what different perspective an organization in any given type might look like:

1. **Value creation**: Shifting from shareholder value maximization to triple bottom line thinking to a profound shift towards creating significant positive impact in key area of societal or planetary concern
2. **Primary corporate attitude**: From reacting to social pressure to actively engaging with stakeholders, to ultimately embracing a voluntary and pro-active engagement with a variety of players in search of new solutions to burning issues
3. **Primary focus**: from shareholder to stakeholders, to a focus on society and the planet
4. **Strategy**: shifting from purely managing risks and embracing opportunities that arise from social and environmental issues, to deliberately defined goals at the heart of strategy addressing resolving burning sustainability issues, to ultimately a shift where societal concerns replace the traditional customer enabling an outside-in strategy that applies the competencies of the organizations in new and sustainable ways, including generating a reasonable profit
5. **Market definition and positioning**: from reacting to outside pressure in existing markets to exploring new market opportunities and emerging niches outside existing markets, to ultimately defining markets to a large degree outside existing markets allowing significant re-positioning
6. **Product & services**: from minor cosmetic changes to adapting products and services to new demands, and to ultimately develop new products and services as a voluntary & pro-active response to societal/environmental problems, likely in collaboration with new partners
7. **Governance & leadership**: likely only affected in later stages when first adaptations such as a cross-functional sustainability committee is put in place to oversee new product development, or when compensation of managers (and employees) includes triple bottom line value creation; ultimately, we imagine a full integration of relevant societal representatives in the relevant decision-making processes at all levels of the organization
8. **Type of CEO:** shifting from a traditional economist frame of mind to an opportunity seeker and integrator, to really, ultimately an idealist.

9. **Type of companies:** business-as-usual includes still most companies, including also BP which has shifted backwards; BST 1.0 included at the time of research companies like P&G, Nestlé, Danone, General Electrics and Walmart (moving in from Bus-as-usual); BST 2.0 includes Wholefood, Patagonia, Timberland, Novo Nordisk, Bodyshop, Unilever, and also Interface (which moved in directly from business-as-usual); BST 3.0 is a largely empty space which is getting populated by social enterprises and new start-ups such as Fairphone, selective B-Corps around the world, companies that are ECG accredited (Economy for the Common Good), and some exemplary banks, such as Alternative Bank Switzerland. Sadly, Grameen Bank has shifted back to BS 2.0 in the meantime.

10. **Sustainability implementation:** initially managed centrally to increasingly become integrated into the various functions and divisions; ultimately the organization re-organizes around the societal issues they address, increasingly including other players into such new open & dynamic structures

11. **Processes:** shifting from being a prime focus around the expanded value chain to become a secondary focus where changes need to be implemented, to ultimately organizational processes being considered as a service function which delivering value in line with the strategy

12. **Reporting:** BST 1.0 organizations report on little beyond what is required yet feel the pressure to expand reporting to cover sustainability issues; BST 2.0 companies fully assume an external sustainability reporting and reflect internally about triple bottom line impacts and cost; reporting BST 3.0 organizations reflects the societal value created and includes voices of beneficiaries in a pro-active, transparent and open manner

13. **Stakeholder influences:** shifting from mostly external process-focused interventions of non-market players to considering both internal as well as external stakeholders, ultimately taking a pro-active approach in identifying and engaging concerned stakeholder in a partnership approach.

To enable executive teams of sustainability firms at all levels to better understand both where they stand and what it would take to get to where they might want to be, we have prepared the Business Sustainability Typology Grid which summarizes our reflections in the 13 perspectives mentioned above across each of the types of business sustainability:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Bus-as-usual</th>
<th>BST 1.0</th>
<th>BST 2.0</th>
<th>BST 3.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value creation</strong></td>
<td>Shareholder</td>
<td>Improved</td>
<td>Triple value</td>
<td>Creating significant positive impact in</td>
</tr>
<tr>
<td></td>
<td>value</td>
<td>shareholder</td>
<td>beyond</td>
<td>critical areas of societal/planetary concern</td>
</tr>
<tr>
<td></td>
<td>maximization</td>
<td>value</td>
<td>shareholder</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>value, including social and environmental values</td>
<td></td>
</tr>
<tr>
<td><strong>Primary corporate attitude</strong></td>
<td></td>
<td>A pattern of reacting to societal pressures</td>
<td>A pattern of active exchange with broad stakeholders</td>
<td>A pattern of voluntary, pro-active and most likely interactive collaboration with new players</td>
</tr>
<tr>
<td><strong>Primary focus</strong></td>
<td>Managing</td>
<td>Stakeholder</td>
<td>Society &amp; planet</td>
<td></td>
</tr>
<tr>
<td></td>
<td>risks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ensuring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Managing</td>
<td>Triple bottom</td>
<td>Societal concerns replace the traditional customer and trigger an “outside-in” view on the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>risks</td>
<td>value is</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ensuring</td>
<td>created not</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>compliance</td>
<td>just as a side-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>effect of business activities,</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Page 19 of 25
<table>
<thead>
<tr>
<th>Stakeholder Reporting Processes on implementing Sustainability (based on companies Type (based on Pless et al., 2013))</th>
<th>Mostly reactive to challenges from outside of traditional market influences</th>
<th>Exploration of new opportunities outside existing markets</th>
<th>Defining business activities outside existing markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product &amp; services</td>
<td>Probably no changes (beyond cosmetics)</td>
<td>Most likely adaptation of products/services (but not questioning their societal value)</td>
<td>Creation of new products and services as a voluntary &amp; pro-active response to societal/environmental problems, likely in collaboration with new partners</td>
</tr>
<tr>
<td>Governance &amp; leadership</td>
<td>Probably not yet affected</td>
<td>- Cross-functional sustainability committee  - Compensation of (top) management includes triple bottom line value creation</td>
<td>- Relevant societal representatives are fully integrated in the relevant decision-making processes at all levels of the organization</td>
</tr>
<tr>
<td>Type of CEO (based on Pless et al., 2013)</td>
<td>Traditional economist</td>
<td>Opportunity seeker</td>
<td>Integrator</td>
</tr>
<tr>
<td>Type of companies (based on Pless et al., 2013)</td>
<td>Most companies, including again BP (moving from BS 1.0)</td>
<td>P&amp;G, Nestlé, Danone, General Electric and Walmart (moving in from Bus-as-usual)</td>
<td>Wholefood, Patagonia, Timberland, Novo Nordisk, Bodyshop, Unilever, and also Interface (moved in directly from business-as-usual)</td>
</tr>
<tr>
<td>Sustainability implementation</td>
<td>Most likely centralized</td>
<td>Most likely to become integrated into line functions</td>
<td>The company re-organizes around the societal issues they address and include other players into such new open &amp; dynamic structures</td>
</tr>
<tr>
<td>Processes</td>
<td>Primary focus, particularly around expanded value chain</td>
<td>An secondary focus reflecting the strategic changes</td>
<td>Becomes a service-function key to deliver the value</td>
</tr>
<tr>
<td>Reporting</td>
<td>Little beyond what is required, tendency on good news (risk: green washing)</td>
<td>- Internal reporting includes triple bottom line  - External reporting on sustainability</td>
<td>- Reporting reflects the societal value created and includes voices of beneficiaries</td>
</tr>
<tr>
<td>Stakeholder influences</td>
<td>Mostly external process-focused interventions from non-market players (media, government/regulations, NGOs and communities)</td>
<td>Internal stakeholders (employees) as well as suppliers, customers as well as (new) external partners/cooperation</td>
<td>Company takes a pro-active approach in identifying and engaging concerned stakeholders</td>
</tr>
</tbody>
</table>

Table 6: An overview of BAU, BST 1.0, 2.0 and 3.0 across 13 organizational dimensions

If we want organizational models to respond to the need for truly sustainable business, we will have to identify different organizational characteristics in order to measure success and improvements;
characteristics that comply with more advanced typologies of business sustainability. The characteristics proposed in the above figure are intended as initial – possibly utopian – yardstick that may serve in the search for organizational models that cater for advanced business sustainability typologies. Such models need yet to be discussed, evaluated, tested in practice and further developed.

The limitation of this article lies in its conceptual and theoretical approach. It assembles outcomes of a variety of leading studies into a follow-on discussion about how to apply the Dyllick-Muff Business Sustainability Typology, which in itself provides interesting value. The article, however, does not in itself contribute further direct or applied research, which is a required follow-on step resulting from this conceptual framing attempt.

There are of course also other important related research questions if indeed it was our goal to enable companies to shift from business-as-usual to BST 3.0. These can be summarized into the following 4 overarching research questions or domains:

- Question 1: What does business sustainability mean in the context of the coming decades?
- Question 2: What do real life examples of such companies look like?
- Question 3: How do we rate organizations in this process of transformation?
- Question 4: What are the related transformational challenges?

We are working on these questions in a prototype of what we consider developing into a global sustainability virtual research platform. The prototype is embedded in the doctoral program at Business School Lausanne and was developed in 2013 collaboration with 50+20 and currently runs in its third year with two international cohorts engaged in writing case studies about advanced sustainability firms and conducting leading edge action research with companies shifting forward. We hope this article inspires other researchers and institutions around the world to join us in this dialogue and emerging applied research domain.
Bibliography


Sustainable Accounting Standards Board (SASB), www.sasb.org
### Appendix: looking ahead – an attempt at describing BST 3.0

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Underlying values (2009)</th>
<th>Business-as-usual</th>
<th>BST 1.0 or BST 2.0</th>
<th>BST 3.0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low sustainability companies</td>
<td>High sustainability companies</td>
<td>Truly sustainable organizations</td>
</tr>
<tr>
<td>Overall adaptation of sustainability policies</td>
<td>Summative result</td>
<td>10%</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### Governance structure

| Active engagement and accountability of Board of directors regarding environm. & soc. performance | Board of directors is formally responsible for the firm’s sustainability | 22% | 53% | All stakeholders are represented on the board |
| Creation of a separate board committee for sustainability issues | 15% | 41% | Not necessary any longer |

| Top management incentive systems based (partially) on company’s sustainability performance | Senior management incentives are aligned with environmental performance metrics | 8% | 18% | Based in full on a balanced economic, environmental and social performance |
| Aligned with social perform. Metrics | 22% | 35% |
| Aligned with external (i.e. customer) performance metrics | 11% | 32% |

#### Stakeholder Engagement

"Prior to the stakeholder engagement process:

- Training of local managers in stakeholder mgmt practices | 0% | 15% | Managers work temp. at various stakeholders |
- Due diligence of stakeholders on costs, opportunities and risks | 3% | 31% | Done together with stakeholders |
- Mutual agreement on a grievance mechanism | 3% | 19% | Including voluntary penalties for firm |
- Agreement on targets of the engagement process | 0% | 16% | Including board buy-in & alignment |
- Mutual agreement on type of engagement with stakeholders | 8% | 37% | Of course, this is the basis of trust |

"During the stakeholder engagement process:

- Identify issues and stakeholders that are important for long-term success | 11% | 46% | Stakeholders are co-owners and co-determine issues |
- Ensure that stakeholders raise their concerns | 3% | 32% | Stakeholders have direct access to mgmt. |
- A common understanding with stakeholders of the issues relevant to the underlying issues at hand | 14% | 37% | 100% |

"After the stakeholder engagement process:

- Provide feedback of stakeholders to the Board and other key dept | 5% | 32% | Not necessary as stakeholders are on the board |
- Share results of engagement process with involved stakeholders | 0% | 31% | Stakeholders are co-responsible for process |
- Sharing results of the stakeholder engagement process with the public | 0% | 20% | 100% |
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Underlying values (2009)</th>
<th>Business-as-usual</th>
<th>BST 1.0 or BST 2.0</th>
<th>BST 3.0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low sustainability companies</td>
<td>High sustainability companies</td>
<td>Truly sustainable organizations</td>
</tr>
<tr>
<td>Overall adaptation of sustainability policies</td>
<td>Summative result</td>
<td>10%</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Measurement and Disclosure

<table>
<thead>
<tr>
<th>Measuring employee engagement and well-being&lt;sup&gt;9&lt;/sup&gt;</th>
<th>Measuring execution of skill mapping and development strategy</th>
<th>16%</th>
<th>54%</th>
<th>Employees are co-responsible for developing their potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measuring the number of fatalities in company facilities&lt;sup&gt;9&lt;/sup&gt;</td>
<td>26%</td>
<td>77%</td>
<td>Not killing/hurting people is not equal to taking care of people</td>
<td></td>
</tr>
<tr>
<td>Measuring the number of “near misses” on serious accidents in company facilities&lt;sup&gt;10&lt;/sup&gt;</td>
<td>26%</td>
<td>65%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tracking health and safety performance of employees</td>
<td>90%</td>
<td>95%</td>
<td>Measuring fulfilment and work-life balance</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deploying customer engagement processes&lt;sup&gt;11&lt;/sup&gt;</th>
<th>- Customer lifestyle</th>
<th>There is no statistically relevant difference between “high” and “low” sustainability companies</th>
<th>Measuring the contribution to the well-being of the products and services to the customer/client and also to the society</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Geographical segmentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Potential Lifetime value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Customer generated revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Historical sales trends</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Products bought</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost of Service</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Using standards to select and evaluate the relationship with suppliers (as a measure of evaluating the quality of the relationship) | Environmental Measuring Systems in certification / audit / verification processes | 18% | 50% | 100% of the companies use all standards when evaluating suppliers as a basic requirement |
|                                                                                   | Supplier’s environm. policies | 0% | 17% | What about environmental and societal impact of supplier (rating)? |
|                                                                                   | Supplier’s environmental production standards | 26% | 46% | |
|                                                                                   | Using human rights standards<sup>12</sup> | 6% | 17% | |
|                                                                                   | Using occupational, health and safety standards | 26% | 63% | |
|                                                                                   | Using compliance to international general standards | 0% | 12% | |

<sup>8</sup> “Engagement” is measured through the execution of skill mapping and development strategies. “Well-being” is defined in the study as a lower number of fatalities, “near miss” and serious accidents. We question the value of these measures.

<sup>9</sup> Outsourcing is a nice way around this – wrong measure

<sup>10</sup> Sharing of best practices from industry leader

<sup>11</sup> There is virtually no difference between so-called high and low sustainability firms

<sup>12</sup> Human rights standards include forced labor, slave labor and child labor
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Underlying values (2009)</th>
<th>Business-as-usual</th>
<th>BST 1.0 or BST 2.0</th>
<th>BST 3.0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low sustainability companies</td>
<td>High sustainability companies</td>
<td>Truly sustainable organizations</td>
</tr>
<tr>
<td>Overall adaptation of sustainability policies</td>
<td>Summative result</td>
<td>10%</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Measurement and Disclosure (continued)**

<table>
<thead>
<tr>
<th>Using objective, third-party audit or assurance</th>
<th>External audit of sustainability report</th>
<th>Assurance provision process:</th>
<th>There is no statistically relevant difference between “high” and “low” sustainability companies¹³</th>
<th>To what degree are these the right and relevant measures?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>- Information collection review</td>
<td>Small exception: External audit of sustainability report and companies based performance measures on external standards such as AccountAbility’s AA1000 or GRI’s G3 guidelines</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Data aggregation review</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Document review</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Relevant management interviews</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Mapping against standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Auditor competency disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Relevant management discussions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Sample site visits</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Stakeholder consultation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution network quality:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- External audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Standardized external audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Internal audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willingness to be transparent in the external reporting of the company's performance</td>
<td>ESG disclosure score (calculated by Bloomberg)</td>
<td>18%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ESG disclosure score (calculated by Thomson Reuters)</td>
<td>37%</td>
<td>46%</td>
<td></td>
</tr>
<tr>
<td>Balance between financial and nonfinancial discussion in conference calls with analysts</td>
<td>Ratio of nonfinancial vs. financial keywords</td>
<td>0.68</td>
<td>0.96</td>
<td>Not specific enough a measure!</td>
</tr>
<tr>
<td>Integration of environmental information in financial reports</td>
<td>5%</td>
<td>26%</td>
<td>We need specific standards here (yet to be developed)</td>
<td></td>
</tr>
<tr>
<td>Integration of social information in financial reports</td>
<td>11%</td>
<td>32%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹³ A key barrier to auditing nonfinancial information is the lack of an agreed-upon set of measurement standards

¹⁴ Non-financial keywords include: employees, customers and products. Note by authors: talking about these topics does not yet serve as a sustainability measure
The purpose of this paper is to integrate a number of recent studies on business sustainability into a framework for greater corporate engagement. Enabling business sustainability is the biggest challenge of our times and at the same time represents the biggest opportunity to finding solutions for some of the most important global problems. It is argued in this paper that externalities have to be included in corporate valuation to create a more balanced, holistic and ethical incentive system for corporate accountability and at the same time enable business sustainability. The re-orientation of corporate strategy through the monetary valuation and formal accounting of externalities could provide a new source of long-term competitive advantage and lead to a greater level of business engagement in the sustainability challenge. Future research is required to build sustainability issues in the strategic planning process. Re-orientation of corporate strategy could provide a system-wide catalyst for true business sustainability.

An Australian Citizen, Munif Mohammed is an experienced businessman running a boutique consulting business in Sydney. He has more than 20 years of corporate finance, commercial management, supply chain, and business development experience. Munif has held senior finance and CFO roles in banking, food & beverages, building products, and retail businesses. The focus of his business and research is in the integration of business sustainability into the strategic planning process. Munif has a Bachelor’s degree in Economics and Political Studies from University of Auckland, New Zealand and Executive MBA from Australian Graduate School of Management, University of New South Wales, Australia.

A Swiss native, Dr Katrin Muff began her career in the late 1980s with Schindler Lifts in Lucerne, then in Australia. She holds both an MBA and doctoral degree from BSL. Throughout the 1990s, she held several positions for Alcoa, working in Moscow, Russia as General Manager, in the United States and in Switzerland in business development. After a sabbatical dedicated to filmmaking, Katrin assumed the position of Director, Strategic Planning EMEA of IAMS Pet Food in the Netherlands. In 2000, she co-founded Yupango, an international incubator. As Dean of Business School Lausanne, she launched a three-pillar vision of sustainability, responsibility and entrepreneurship for education, applied research and societal engagement.
EXECUTIVE SUMMARY

Context

The legal and organisational structure of the modern company provides a level of clarity on the business purpose, roles and responsibilities of managers, and protects the organisation from the external environment. However the process of creating a legal entity also leads to isolation of the company from society. The barriers to social purpose are constructed through the legal structure of the firm, the governance and accountability frameworks with singular fiduciary duty to shareholders, and reinforced by the strong focus on shareholder value creation. The value creating framework of most modern businesses is narrowly defined on financial capital and excludes the impact of the firm on environmental, social and human capital. Financial capital and the specific ways in which the firm extracts and uses resources are given primacy in defining the business model without the consideration of impact of the firm in a resource-constrained world.

Key insights

Today there is a clear imperative for companies to find new forms of competitive advantage and at the same time gain/maintain their social licence to operate. Valuation of externalities could provide a formal way to account for all four forms of capital (environmental, social, human, and financial) and this explicit accounting for these capitals could provide financial, strategic, legitimacy and ethical grounds for why companies should engage in the sustainability challenge and use private resources for public good. Including the value of externalities and the creation of environmental, social and human balance sheets could connect social progress with the value-creating potential of the company’s strategy. The strategies to create long-term competitive advantage undertaken within the company could at the same time resolve external stakeholder pressures. The introduction of externalities into the strategic planning process can enable a more holistic integration of the needs of employees, society and the planet. Specifically, accounting of externalities would bring to reality the outside-in view to strategic planning.

Summary

► Externalities have to be included in the corporate valuation model to create a more balanced, holistic and ethical incentive system for corporate accountability and at the same time enable business sustainability
► The re-orientation of corporate strategy through the monetary valuation and formal accounting of externalities could provide a new source of long-term competitive advantage and lead to a greater level of business engagement in the sustainability challenge
► The introduction of externalities into the valuation model of the company and a focus on creating social, environmental, and economic value in a resource-constrained world moves the sustainability debate from the traditional corporate responsibility framing to the corporate strategy agenda.
► Re-orientation of corporate strategy to include impact of both positive and negative externalities could provide a system-wide catalyst for true and meaningful engagement of business activities in promoting sustainability of the environment and society
Introduction

Business, society and the planet are faced with a dilemma where important decisions have to be made for the sustainability of the planet and the competing needs for social development and economic growth. Businesses need to regain trust and legitimacy; indeed, over the past few decades, businesses have been increasingly seen to profit from social, environmental and economic problems at the expense of society’s needs and concerns. Society needs businesses to help solve major global problems and everyone has a responsibility to the planet; the only place where we all can flourish. At these cross-roads, there are common interests for both the society and business. The problem is one of negotiating a new social contract between business and society; a contract that is based on transparency, mutual accountability and trust in the context of substantial social injustices and environmental mismanagement. This social contract needs to be defined with a new corporate accountability framework which can clearly account for the mutual obligations of both business and society and demonstrate progress towards shared goals.

The current political economy in most countries is based on a consumption-led growth model that provides employment for the citizens of the nation, generates profit growth in the corporate sector and provides legitimacy for both the corporations and the political system. This system has worked very well in the past where there was a general acceptance that planetary resources were limitless and that economic development was accepted at almost any cost to the ecosystem, social and human capital. There is a growing realisation that this political economy is no longer acceptable on the grounds of sustainability of the planet, and the growing inequality and well-being of the majority of the citizen of most nations.

Today there is increasing recognition of the need to respect a resource-constrained world and the increasing importance of distributive justice for a stable society. At the same time however there are increasing demands for greater accountability on the part of the capitalist system and companies that operate within this system. Trust in our most important social structure has been steadily declining and now there is overwhelming focus on short-term self-interest in politics, corporations and social relationships.

For corporations such an environment creates the risk of suffocating innovation and limiting investments. In this context there is a need for a corporate strategic framework that addresses this dual challenge of corporate accountability and fundamentals of value creation in the corporate sector. Such a new corporate strategic framework would need to explicitly recognise a resource-constrained world and the growing income disparity that the current business model creates.
The next section discusses the sustainability challenge. The sustainability challenge is framed as finding a balance between the planetary limits and meeting basic human needs. This is followed by a discussion on why the sustainability challenge is best met by corporations creating new business models that are motivated by self-interest. The main contribution of this paper is to present a case for re-orientation of corporate strategy to capture environmental, social and economic value in a resource-constrained world. The two foundational questions are how companies can capture environmental, social and economic value in a resource-constrained world and how to enhance this process to accelerate corporate engagement in the sustainability challenge. These questions are discussed in the context of a number of recent organisational sustainability frameworks. In the final section there is a discussion on a proposal to include externalities in the corporate value creating framework and how such a change could engage companies in the sustainability challenge. This paper attempts to move the discussion on business sustainability from its traditional academic home within corporate responsibility literature to the strategic planning domain.

Resource constraints and a safe space for humanity

The sustainability problem is well documented in both the academic and professional literature. The most concerning aspects of these studies is the recent accelerating trend towards planetary limits and at the same time the rapid increase in human deprivation. The Oxfam report brings these two aspects of the sustainability challenge together in the ‘doughnut framework’ and defines ‘a safe and just space for humanity’ (Raworth, 2012). The challenge in the future is even greater with population growth and with increasing income leading to aspirations for higher standards of living especially in rapidly developing nations.

The Oxfam ‘Doughnut’ model is a useful visual framework at the global level which brings together basic human needs and the limits of growth in a resource-constrained world. The basic human needs are represented by eleven dimensions that were noted as governments’ priorities for Rio+20 and the nine dimensions of the environmental ceilings are based on Rockstrom et al. (2009). In this framework the achievement of basic human needs forms a social foundation that is seen as a matter of human rights and necessary for inclusive development. The environmental ceiling provides a limit to resource use that is sustainable within the planetary boundaries. In this framework between the social foundation and the environmental ceiling there is ‘the safe and just space for humanity’ which allows for ‘inclusive and sustainable economic development’ (Raworth, 2012, p. 4).
The report notes that to eradicate poverty would not put any additional stress on the planetary boundaries. It seems that meeting the three main human deprivation issues of food, energy and income is less about exceeding planetary boundaries and more about distributive justice and equity. In the recent past most of the effort has been placed on environmental management and the need to reduce resource use; however as the Oxfam report notes we should be more focused on a redefinition of growth, utility, well-being and distributive justice issues.

The two main ideas that seem to be discussed in the context of solving these problems are growth and technology. In the current political economy growth is required to address the social foundation issues and technology to solve the environmental ceiling issues. The traditional model of growth which is expected to provide ‘trickle-down’ benefits to all members of society has failed to deliver these benefits in most countries and has in recent times been widely discredited. A new model of growth which is more sustainable and inclusive with a focus on employment creation is needed. A major study by the International Labour Organisation (ILO) under the Green Jobs Initiative prepared for the Rio+20 conference notes that there are sustainable ‘opportunities for decent work and social inclusion in a green economy’ (ILO, 2012).

In the current business model investment in technology is only undertaken where there is an adequate return on such investments. Return on investment in technology to remove carbon, in the efficient use of freshwater in agriculture, destruction of habitat and in other environmental problems is not likely until there is a price placed on the use of these resources. The Oxfam report notes that the main issue for the future is ‘who should determine the dimensions and boundaries of an internationally agreed social foundation and an environmental ceiling, and how?’ (Raworth, 2012, p. 21). This is the key issue that our leaders in government and society have to address and it is our view that our leaders do not have the political capital to address these issues. The challenge then is to change the purpose of business to address the joint problems of social foundation and environmental ceiling. Technology and growth can provide solutions; however investment in technology solutions requires correct signals from the markets and in turn the markets need the correct signals from society and the environment. This is our challenge, to inform and reform the corporation and the markets.

The sustainability imperative and the corporate response

There is growing recognition that corporations will need to rapidly adopt sustainable business practices and create new business models to survive.
In a recent article Lubin and Esty (2010) argue that sustainability is the new mega-trend. Over the past ten years the internal economics and external market conditions have changed in ways to create a strategic imperative for corporate leaders to embrace sustainability. The key changes to the economic and strategic conditions facing the corporation include a resource-constrained world for generating value for customers, shareholders and other stakeholders; globalised workforce and supply chains; the rise of new world powers notably China and India, which has intensified competition for natural resources adding a geopolitical dimension to sustainability; and externalities such as carbon emissions and water use, which have become material to investors requiring disclosure and accountability. These trends are magnified by public and government concern for climate change, industrial pollution, food safety, and resource depletion; consumers seeking new or improved sustainable products and services; and government introducing new regulations for the control of pollution. Furthermore thousands of companies are placing strategic bets on innovation in energy efficiency, renewable power, resource productivity, and pollution control (Lubin and Esty, 2010, p. 4).

In the context of these trends and material changes the only response that is likely to succeed is one that employs a deep level of change with a wide scope. Based on this mega-trend the authors develop a two-dimensional model for sustainability value creation on ‘what we must do’ and ‘how we must do it’ (Lubin and Esty, 2010, p. 8). This article positions the sustainability challenge as requiring fundamental change in business affecting not only cost savings from waste and inefficiencies but changing the source of revenue for the organisation thus defining a new business model. This level of change is far beyond the typical CSR programme and the ‘green-washing’ in many corporate sustainability reports. This change can be accelerated by correcting the price for non-sustainable products and services thus reducing the demand and unsustainable business growth. It is very likely that the demand for novelty and cheap disposable products that offer high levels of convenience will continue. Investors will also continue to support unethical and highly polluting businesses that provide attractive short-term returns. The missing link in discouraging demand for both unsustainable consumption and capital funding is to price all resources in a resource-constrained world. Pricing of all resources would be a natural response of a functioning market economy and such action is well supported by sound economic theory (Mohammed, 2012b).

The missing link in discouraging demand for both unsustainable consumption and capital funding is to price all resources in a resource-constrained world.
To date the attempts in the corporate sector to address these dual challenges of sustainability and accountability have focused on CSR (Heal, 2005), sustainability reporting (Kolk, 2008), International Accountability Standards (Rasche, 2009), many industry specific regulations, and voluntary corporate initiatives. Recently there have been a number of new initiatives focused on redefining the purpose of business, alternative ownership structures, and creating shared value. All these efforts have resulted in some progress and this change process can be accelerated by addressing the deeper underlying problem in our political economic system. This requires a reassessment of the neo-classical economics in a resource-constrained world. A review of economic literature shows that starting with Adam Smith there was recognition of the important limitation of free markets in the presence of externalities in the natural world (Stiglitz, 2006). However mainstream
economic theory has continued to ignore the limits of the natural systems in the quest for efficient resource allocation, primacy of markets, property rights and an expectation that the state will provide the legislative framework to protect the environment from the negative effects of market operations and at the same time provide for public goods (Mohammed, 2012a).

Specifically, in economic theory there is extensive discussion on conceptualisation of externalities and its implication to markets, and cost/benefit analysis. Externalities refer to situations when the effect of production or consumption of goods and services imposes costs or benefits on others which are not reflected in the prices charged for the goods and services provided (Khemani and Shapiro, 1993). In the context of a market economy any resource or public service that is free will result in over use in both the production and consumption processes. Price signals and valuation of cost and benefits are fundamental to market economic systems and in the current business model no value is assigned to the majority of eco-services, social and human costs. This is the fundamental change that is needed. Both positive and negative externalities must be included in the corporate valuation models and accounted for on corporate balance sheets.

Integration of existing sustainability frameworks to accelerate change

A major obstacle to enable sustainability within companies is to create a business case that could deliver sufficient economic benefits while at the same time creating social value to its stakeholders and ensuring the well-being of the planet. One of the main enabling factors is the creation of measurements systems to redefine many economic concepts and benchmarks commonly used in business and everyday life. This redefinition is necessary in light of our understanding of the planetary limits and future resource-constrained world. There is an urgent need to redefine how we measure (economic) value, growth, productivity, capital and many other economic concepts that determine many of the important decisions made by businesses, governments and society (Stiglitz et al., 2009). This is a fundamental change that is necessary to engage business, government and society in a collaborative effort to engage in the sustainability challenge. A new measuring system could assist our understanding of many of the issues and trade-offs that currently are difficult to comprehend. For example, today businesses and governments are focused on increasing labour productivity; however this generally means employing less people to produce the same level of output. This is good for businesses and not so for the community.
Enabling business sustainability is the biggest challenge of our times. There is considerable confusion over how to make business decisions on issues of sustainability (Reeves et al., 2012). Companies are faced with a multiplicity of principles of sustainability including licence to operate, business ethics, managing reputation, and creating shared value. This lack of clarity has resulted in a situation where companies are not certain how to make business decisions on both short and long term trade-offs in a ‘calibrated, holistic, and integrated manner’ (Reeves et al., 2012, p. 14). The article suggests that looking at the sustainability challenge as adaptability provides a solution to ‘integrate the social, ecological, and economic aspects of strategy using a common conceptual and operational framework’ (Reeves et al., 2012, p. 15).

The authors identify a number of adaptive strategies that could deliver a strategic advantage to the company. This includes eco-social advantage where companies are encouraged to think of adaptive strategies as a ‘continuous returning and renovation of the business model to avoid imbalances and limits in the flows of materials, labour, economic value, and trust in and out of the company’.
of those three spheres of activity' (Reeves et al., 2012, p. 17). The three spheres identified here are ecological, economic and social. There are many case studies in the article which highlight that by changing the business model companies can capture financial value.

The process of enabling business sustainability can be significantly enhanced by measurement, valuation and reporting of externalities. The construction of environmental, social and human planning balance sheets would explicitly demonstrate any imbalance between environmental, social, human and financial capital that exists and how the company’s strategies would impact the persistence of this imbalance. Using resources from the ecological sphere would lead to a decrease in environmental capital which they must offset with commensurate value in the economic or social sphere. Similarly, in the social sphere the human and social capital needs constant replenishment and this progression can be monitored on the company’s planning balance sheet.

**Corporate design and valuation of externalities**

Changing the legal structure of the company is a very important design element to enable business sustainability. The most commonly used structure of Limited Liability Corporation (LLC) which was created in the 19th century is no longer appropriate for the realities of the 21st century. The report by Tellus Institute notes that a new form of the corporation would require a redefinition of the corporation’s law, strengthening the governance regime to achieve an improved balance between power and accountability, instituting more ethical incentives for management, and improving the interface with capital markets (Kelly and White, 2007, p. 3). These enablers are designed to change the purpose of the company, to reframe ‘whose interests a company is designed to serve, and whose interests are subordinated or disregarded’ (Kelly and White, 2007, p. 3).

Kelly and White (2007) suggest that the focus on short-term earnings growth is not akin to the laws of nature and is only intrinsic to the current corporate design which can be changed by re-designing the corporation. The authors suggest that in the context of sustainability there is a need for a principles approach to thinking about the purpose and governance of the corporation. The challenge for the 21st century is to embed ‘social, environmental and financial mission’ at the core of business management (Kelly and White, 2007, p. 1). The report concludes that ‘no one pathway will lead a corporate transformation of the kind we need. It will require a combination of internal and external actions undertaken by many actors: companies, civil society, government, labour, and media’ (Kelly and White, 2007, p. 10).
It is difficult to imagine that a majority of business enterprises would change corporate structure to create a tipping point in the timeframe that is commensurate with the sustainability challenge. It is our belief that change is initially most likely to come from inside the company and not from externally imposed rules. Companies are more likely to adopt change if by doing so they create economic, social and environmental value and this value can be measured on the company valuation model. It is arguable that changing the measuring systems could accelerate the objectives outlined by Kelly and White.

First, the need to strengthen the ‘governance regime to achieve an improved balance between power and accountability’ could be achieved by establishing environmental, social and human capital as a counter balance to financial capital. This holistic view of the impact of the business model would improve governance and accountability of the company. Companies can create internal measures of environmental, social and human impact of their business model and such action is not dependent on external authorities and standard setters.

Second, the objective of ‘instituting more ethical incentives for management’ can be substantially enhanced by including the externalities in the company’s valuation model. This provides for measurable change in financial and societal value creation resulting from management decisions. Including
externalities in the corporate valuation model accounts for the costs to society and the environment and is consistent with Ignatieff’s view of global ethic:

I take a global ethic, in the singular, to mean an ethics whose object of moral concern is one world, one world in which all human beings are entitled to equal moral concern, in which all of us have a common responsibility to a single habitat, the only home we’ve got (Ignatieff, 2011, p. 3).

Lastly, the authors argue for the need to improve the ‘interface with capital markets’ (Kelly and White, 2007, p. 3). A framework which values externalities can result in making a number of costs that hereto are missing from the ‘dominant logic of the financial market’ visible (Amaeshi, 2010, p. 41). The capital markets could then function with this new information allocating capital to the companies that has the potential to create higher levels of financial and societal value.

**Enabling leadership and cultural change**

Strong leadership in directing change can be assisted by a deeper understanding that financial capital can only be created from long-term management of environmental, social and human capital. While this might be a common-sense argument, it is important for the leadership team of the company to identify and quantify the specifics of this value proposition for their business. This form of specific knowledge can direct the company’s leadership team into action and create a culture that is consistent with its sustainability goals.

The report from Miller Consultants addresses details of cultural and leadership characteristics to assist the organisation ‘set aggressive agendas for sustainability, and achieve success in executing them’ (Perkins, 2010, p. 1). This study notes the importance of managing cultural change that fits with the sustainability agenda and shows that early adopters managed cultural and leadership issues significantly better than other companies. The study identified a number of factors as important to specific issues related to the sustainability agenda as well as more general change management issues. To drive change companies need to build certain elements of organisational culture and leadership into their organisations. These include stronger leadership, more trusting and collaborative climates, greater commitments to continual learning, risk-taking and innovation. Companies need to have sustainability goals embedded in their systems and mechanisms in place for employee engagement in sustainability-related initiatives.

It is possible to see that, by including the value of externalities in the corporate valuation system, clear goals could be established into the day-to-day operations of the company thus allowing a higher level of employee engagement. Likewise, the need to have a more expansive view of stakeholders and better means for communicating a clear and consistent message to them could be achieved with the valuation of externalities and publication of environmental, social and human balance sheets.
Sustainability reporting – what to measure and how to measure?

In our current political economy knowing what to measure and how to measure is one of the main missing elements of creating truly sustainable business. There is a call for sector-specific materiality for sustainability reporting standards similar to accounting standards (Eccles et al., 2012b). The article suggests that at a company level the key questions are what to measure and how to measure.

For the users of sustainability reports the key concerns are around the ability to understand comparative performance and to be able to build sustainability information into financial models, used to drive the business model. It is critical to clearly understand which environmental, social and governance (ESG) issues are important in terms of their impact on value creation.

The sector-specific and material information on value creation can be further improved by valuation of externalities explicit to the company’s business model. While we share the concern about the value of most of the published sustainability reports, the fact is that the value creation proposition for each company is specific to its business model and the measures need to be specific to the firm. Unlike the current accounting standards where we only measure in a single dimension to determine the financial capital, sustainability measurement systems requires the measurement of environmental, social and human capital. Measurement systems need to have common standards and principles; however the application of these measures needs to reflect the value proposition of the firm and how this value creation impacts the environmental, social, and human capital of the company. Valuation of externalities and creation of environmental, social and human balance sheet provides specificity and materiality to the company’s value creating proposition. This process of measuring, valuing and reporting externalities, as shown by Puma’s EP&L (Environmental Profit and Loss Account) (Puma, 2010), clearly defines for the first time what to measure and how to measure this. This form of analysis provides a level of detail on the value creating model of a specific business which would inexorably lead to more sustainable business models.

The identity of a sustainable company

In the challenge to engage companies in the sustainability effort it is critical to focus research on identifying and scientifically documenting the elements of a sustainable company. In a recent longitudinal study the performance of 180 matched companies was reviewed to identify characteristics that differentiate sustainable and traditional companies (Eccles et al., 2011). High sustainability companies voluntarily adopted environmental and social policies in the early-to-mid-1990s. The research employed matching methodology (propensity score matching) to find 90 ‘control firms’ which did not implement environmental and social policies. This was the low sustainability group. These categorisations were confirmed by a review of company reports and interviews conducted with these firms. The research design is innovative.
and overcame common issues of causality by positioning the research well before CSR became a widespread business programme, and selecting a longer time period to allow for cultural change to impact financial performance and also to minimise the impact of short-term variation from other factors.

This research identified distinctive characteristics of each group of companies and then designed a survey to measure these differences. After confirming that the high sustainability companies had indeed implemented environmental and social policies, the research then shows that high sustainability companies outperformed the low sustainability companies over the long term both in stock market and accounting results. This research makes an important contribution to the understanding of what sustainable companies look like and what are the key identifying and cultural differences between sustainable and traditional companies. The study notes the importance of governance, leadership, incentive systems, stakeholder engagement, long-term orientation and the importance of measurement and disclosure of nonfinancial information. These enablers can be further enhanced by measuring, valuing and reporting externalities inherent in the current business model. This is consistent with the call for nonfinancial reporting which could meaningfully engage multiple stakeholders in long-term value creation. Business leaders could get valuable strategic information from construction of environmental, social and human capital statements which could provide a basis of a more ethical incentive system and improved governance.

The study found ‘evidence that companies in the High Sustainability group are able to significantly outperform their counterparts in the Low Sustainability group’ (Eccles et al., 2011, p. 30). This study reviewed the differential impact of three moderating factors and found that business to consumer (B2C) companies, which were dependent on brands and reputation where these companies also were using large amounts of resources, showed the most difference in performance.

The three moderating factors identified in this study provide an important area for future research. It would be very interesting to further investigate ways that these factors could be harnessed to engage in the sustainability challenge. The hypothesis here is that companies with high resource use with high brand exposure operating in the B2C sector are likely to have high externalised costs. Formal modelling of these costs could provide empirical evidence of the importance of understanding the externalised costs and how companies can add shareholder value by managing these costs. Internalising these costs will in the short term result in additional burden; however it is likely that this will lead to superior financial performance in the long run.

**Enablers to creating a sustainable company**

A key challenge for management today is how to create sustainable business models and to implement these into the operations of the business.
Eccles et al. (2012a) propose a framework to enable the companies to better integrate sustainability into the core of their strategy and operations. This research builds on the findings of a working paper (Eccles et al., 2011) to apply the characteristics required to become a sustainable company. This framework is based on a two stage interactive process where in the first stage the identity of the company is reframed and in the second stage the new identity of the company is codified in the day-to-day operations of the company. There are four key enablers identified in this study: leadership commitment, external engagement, employee engagement, and mechanisms for execution.
An effective and holistic measure of sustainability could enhance these enablers of becoming a sustainable company. It is important to be able to measure the level of sustainability of the company and its business model at all stages of the process of becoming a sustainable company as defined by Eccles (2010a). First, appropriate measurement systems are required to inform and engage business leaders and boards on the need for alternative strategies. Measurement systems are needed to provide incentives for ethical and responsible leadership. Second, holistic measures are needed to engage external stakeholders recognising the mutual interest for collaborative action. Third, measurement systems need to be designed to allow for the long-term orientation of the sustainability challenge. Lastly, more effort is required to measure the most material and important nonfinancial information and disclose these in appropriate ways to convey the value creation proposition for the corporation.

There is a growing expectation that corporations can make a critical difference to meeting global sustainability challenges. The pace and level of the contribution from the corporate sector will depend on how successful our business leaders are in engaging their organisations. However companies have a choice to make, and need strong incentives to make the right decision to start the journey to sustainability. The obstacle for most organisations is to define the business purpose to engage in the sustainability challenge. Many companies still question why sustainability is their responsibility and most frequently revert to the neo-classical view of profit maximisation. The problem of the tragedy of the commons and temptations of free-riders at the company level are still very strong and have become increasingly important in the recent past with deteriorating financial conditions. There is an urgent need to provide companies with a clear framework to choose to engage in the sustainability challenge.

Capturing environmental, social, human and economic value in a resource-constrained world

We now present a framework to re-orient corporate strategy to enable the company to capture environmental, social and economic value in a resource-constrained world. This is a firm level analysis and in this context the focus is to re-orient the firm’s strategic direction towards sustainability of the company, the society and the planet. In addition to the environmental, social and economic dimensions of sustainability this framework extends the discussion to include human capital as an important dimension of sustainability at the firm level. At the firm level the human capital is a separate dimension of sustainability and has a specific focus on the employees of the firm with a critical link to dynamic capability (Zollo and
Winter, 2002) of the firm to adapt. Separate evaluation of the impact of the firm’s strategy on its human capital would provide specific information on the firm’s ability to create long-term value.

The articles reviewed in this paper and the proposal to measure, value and report externalities through a strategic planning process can be organised into a framework to support the efforts to achieve a sustainable and just world. The major themes noted in this paper are the need for adaptability in the company’s business model and strategy (Reeves et al., 2012); the efforts to change the purpose and legal structure of the business (Kelly and White, 2007); changes to embed sustainability into corporate culture (Perkins, 2010); the need for sector-specific materiality standards in sustainability reporting (Eccles et al., 2012b); the identity of a sustainable company (Eccles et al., 2011); and finally how to become a sustainable company (Eccles et al., 2012a). Lubin and Esty (2010) address the scope of change that is required to achieve the greatest benefits for both the company and society. These models are an attempt to change a number of the design elements of the company to accelerate the change process. The design elements include reframing the purpose of the company; long-term orientation; multi-stakeholder responsibility; legal structure; redefining the balance in corporate governance between power and responsibility; alignment of internal incentives with shareholder value creation; redefining of reporting to the shareholders and clarification of the sector-specific materiality of measures; linkages between nonfinancial and financial KPIs (key performance indicators); and redefining the value of the company.

Today there is a clear imperative for companies to find new forms of competitive advantage and at the same time gain/maintain their social licence to operate. The articles reviewed in this paper provide valuable insight into what companies must do and how to undertake the transformative changes that are required for business sustainability. We propose that valuation of externalities could provide a formal way to account for all four forms of capital (environmental, social, human, and financial) and this explicit accounting could provide financial, strategic, legitimacy and ethical grounds for why companies should engage in the sustainability challenge and use private resources for public good. Including the value of externalities and the creation of environmental, social and human balance sheets could connect social progress with the value-creating potential of the company’s strategy. The strategies to create long-term competitive advantage undertaken within the company could at the same time resolve external stakeholder pressures. The introduction of externalities into the strategic planning process can enable a more holistic integration of the needs of the employees, society, and the planet. Specifically accounting of externalities would bring to reality the outside-in view to strategic planning.

Today most companies rigorously work to clearly define the organisation, legal and operational boundaries of the business. This provides a level of clarity on the business purpose, roles and responsibilities of managers,
and protects the organisation from the external environment. However the process of creating a legal entity also leads to isolating the company from society and the external environment. The barriers to social purpose are constructed through the legal structure of the firm, the governance and accountability frameworks with singular fiduciary duty to shareholders, and reinforced by the strong focus on shareholder value creation. The barriers are at two levels. First, the value creating framework of most modern businesses is narrowly defined on financial capital and excludes the impact of the firm on environmental, social and human capital. The strategic planning process excludes consideration of externalities thus narrowly defining the sources of competitive advantage. Financial capital and the specific ways in which the firm extracts and uses resources are given primacy in defining the business model of the firm without the consideration of the broader impact of the firm in a resource-constrained world. The second level of barrier is between the external environment and the legal form of the business. The creation of the Limited Liability Company (LLC) is a very effective way to define the boundaries of the company and insulate the company from external liabilities. While the LLC structure provides a well-developed vehicle for risk-taking, it at the same time isolates the company from its many sources of long-term competitive advantage that are emerging from the growing importance of a resource-constrained world.
The level of internal effort by the firm to create a clear operating environment is likely to be higher where there are greater levels of externalities. For example for a mining business there is a clear need to carefully manage its communication and relationships with local communities, environmental groups, and the regulatory authorities. Corporate affairs and external communications functions in a mining company are critical functions demanding higher levels of management effort to secure the social licence to operate. In practice most businesses have a clear strategy to defend the business from the external environment and in doing so isolate its stakeholders. Businesses also spend a considerable amount of resources justifying their actions and thus again isolating themselves from real opportunities for change.

The purpose of this paper is to re-orient corporate strategy through the monetary valuation and formal accounting of externalities to provide a holistic strategic planning process that explicitly recognises environmental and social needs. Such a re-orientation conceptualises environment, social and human externalised cost as a source of long-term competitive advantage and not just as social licence to continue operating the current business model. Using the framework defined in Figure 1 it is possible to demonstrate that starting from the external environment the company can define its strategic direction by explicitly recognising the needs of the environment and society and then determine its organisational, legal and operation structures without the strong filter and barriers that exist today. A diagrammatic representation of the interaction between the three regions of strategic enablers to engage business sustainability is presented in Figure 1. At the core of this framework is the process of managing the internal strategy of the firm. This is the traditional resource-based view of the firm requiring management to engage and secure resources critical to the firm. At the outer limits is the external environment of the firm defined by the social and political economy within which the firm operates. In the current literature this external environment provides the firm its social licence to operate and allows the company to capture value from the exercise of its competitive advantage. In the proposed framework in Figure 1, the external environment is reframed as a source of long-term competitive advantage. The middle region is the specific configuration of the firm which would enable it to manage its internal and external environments to achieve a balance between exercise of its competitive advantage and sources of its long-term competitive advantage. The interaction within this framework is described below in the context of the corporate strategic planning process.
3. Purpose of Business

2. Managing Internal Strategy to gain competitive advantage

1. Managing External Environment

6. Legal Structure

5. Investor Mindset

4. Governance & Accountability

7. Leadership & Culture

Sources of Long Term Competitive Advantage

The outer region of the framework (Fig. 1) represents interaction between the company and society. The challenge for the company is to gain and maintain its sources of competitive advantage. The proposed strategic planning process could provide a meaningful way to engage with a broad range of stakeholders that are strategically critical to the company. Freeman et al. (2010, p. 105) cites Harrison and St. John that different strategic planning tools are used by companies for the management of three regions of the firm’s stakeholder environment. At the region closest to the firm, a resource-based view is used by managers to engage with stakeholders to create competitive advantage. Porter’s five forces model is widely used by managers to analyse and integrate stakeholders within the operating environment of the firm. The broader environment is defined as society, technology, economy and political/legal factors. Contemporary strategic planning processes assume that the firm has little or no influence on this broader environment. However, today the collective impact of businesses and the markets have created a high level of mistrust and conflict between the interest of businesses and society. This integration of the broader environment is the weakest link in the contemporary strategic planning process. Creation of a strategic planning balance sheet for environmental, social and human capitals through the monetary valuation and formal accounting of externalities could provide a new way to integrate the broader environment of the firm. For the first time it could be possible to quantify the value of environmental, social and human capital of the company.
of environmental, social and human capital of the company. The impact of the company’s strategy on society and human welfare can be measured as changes in the social assets and liabilities.

The current view in respect to the need to manage the external environment of the firm is that such management could provide and maintain a social licence to operate. Such conceptualisation and practice is based on a defensive outlook of protecting the business model of the firm and narrowly defines the relationship between business and society ignoring the fact that the external environment provides many of the sources of competitive advantages for the long term. The role of management is to identify these sources of competitive advantage and configure the organisation to gain such competitive advantage. Internalisation of externalities could overcome such distortions in the strategic planning process.

2. Managing internal strategy

In Figure 1, the internal region represents the strategic planning activity which is a foundational process in a contemporary business. In this strategic planning process there is some form of situational analysis undertaken to assess the internal and external factors using a SWOT analysis (strengths, weaknesses, opportunities, and threats), Porter’s five forces model, and other planning tools to anticipate changes in the competitive and business environment of the company. Typically the process here is to define a fit between the company’s resources, competences and its external environment to secure additional resources for value creation. The outcome of this process is the creation of the company’s vision and mission statements, articulation of company values, strategies are formulated and resource allocation decisions made. Once these decisions have been made then performance measures are defined, a plan created to communicate and cascade this strategic plan to the operational level.

As noted above a holistic engagement with the external environment could provide new sources of competitive advantage for the long term. It is argued in this paper that these techniques will lead to the ‘outside-in’ approach to business planning that is required for true business sustainability as outlined in a discussion paper on framing business sustainability by Dyllick and Muff (2012). The authors note that the businesses need to start from an analysis of the sustainability challenges facing society, then create strategies and business models that contribute to solving these selected sustainability challenges. What is required for these changes is ‘disruptive innovation’ (Christensen and Raynor, 2003), which would lead to creation of new business models. These authors argue that the current business model where there is an over-emphasis on sustaining innovation will not result in a net increase in employment and it is only through disruptive innovation with a focus on new customers and markets that new jobs can be created.
The internalisation of externalities and the creation of environmental, social and human capital accounts in the company’s strategic planning process could enable a better integration of the broader environment enabling ‘outside-in’ thinking and provides momentum to ‘disruptive innovation’ by establishing an equal place for the environmental, social and human capital with the traditional financial capital. Such a planning process assists in the definition of the social purpose of the company; through the identification of externalities and stakeholders it connects the company to the sustainability challenge; connects the economic value of the company to social progress through the process of measurement, pricing, valuation and reporting of externalities specific to the firm; and provides a holistic role of business in society. Such a planning process can provide new and powerful strategic insights on how to create economic and social value that is specific to the firm. It is important to change the strategic planning process that is internal to the firm, allowing the management to consider all options on how best to engage in the sustainability challenge.

The middle region of the framework allows the company to create specific configuration and arrangement of resources to gain and maintain competitive advantage. In a resource-constrained world, it is important for companies not to filter out all the external issues and in doing so ignore potential sources of competitive advantage for the long term. The challenge for companies is to relax its traditional barriers and learn from its external operating environment. This would require a reconfiguration of all of the design elements of the company noted in the middle region of the framework in Figure 1. The sub-segments noted in this middle region provide guidance on the specific configuration of the company’s structure and operations to gain and maintain its competitive advantage.

3. Purpose of business

There is an internal imperative for the organisation to act on each of these areas while at the same time there is external pressure to address these issues. The management team needs to balance both these forces to achieve and manage its long-term competitive advantage. For example defining a clear societal purpose of business can provide powerful insights and a new source of competitive advantage while at the same time engaging external stakeholders in a collaborative effort to address societal issues. The key to a meaningful engagement to gain an authentic insight into a new business model is to understand the interaction between the financial capital and the new forms of environmental, social and human capital. Understanding these trade-offs can provide direction for enlightened leadership.

Dyllick and Muff (2012) suggest that in defining the purpose of business there is a need to broaden our perspective from...
the single economic dimension of the traditional business to multiple perspectives which include social, environmental and economic perspectives. A multi-dimension perspective is a prerequisite for a company to move from business-as-usual (sustainability 0.0) through to truly sustainable business (sustainability 3.0).

4. Governance and accountability

Corporate governance and accountability could be enhanced by including all costs/benefits of the company’s business model and in particular by monetary valuation of externalities which is specific to the key resource-use pattern of the company. Corporate accountability is defined as ‘the positive duty of due diligence to provide an account to society in the collaborative management of environmental, social, human and financial capitals’ (Mohammed, 2012, p. 1132). This level of accountability can create a new form of governance structures which takes a holistic approach and can lead to the creation of trust between the corporation and society.

Corporate governance and accountability could be improved through a change from a business perspective to a sustainability perspective (Dylick and Muff, 2012) allowing a greater accountability for all forms of capital and not just traditional financial measures. Today most businesses start their strategic planning processes from a business perspective, with a systemic focus on profit, return on assets, market share, and competitive advantage.

The inclusion of externalities would enhance this business perspective bringing a sustainability perspective and an ‘outside-in’ approach to strategic planning. ‘True business sustainability would start by looking “outside-in”, using sustainability issues of our times as the starting base to define possible contributions by business. Such a perspective may well result in very different strategies, business models, products and services’ (Dylick and Muff, 2012).

5. Investor mindset

Considerable progress has been made in raising the awareness and importance of investors’ preference for ethical and sustainable companies. Today there is a large pool of equity funding that is channelled in a positive way to companies that are rated by DJSI and other sustainability rating agencies. Institutional investor companies are also encouraged to sign up for the United Nations Principles for Responsible Investment (PRI) pledge which recognises ESG issues in addition to the fiduciary duty. These efforts could be greatly intensified by linking the nonfinancial KPIs to the financial value of the company. The proposal to measure and value externalities provides one way of explicitly linking the environmental, social and human capital and the financial value of the company. This form of strategic planning could provide a much needed balance and completeness to the equity analysts’ model of the company.
Changing the legal structure of the corporation is a very effective way to engage companies in the sustainability challenge. B-Lab, a non-profit organisation, has been very active in encouraging business to use their resources to solve social and environmental problems. New legislation has been passed in seven states (California, Hawaii, Maryland, New Jersey, New York, Vermont, and Virginia) in the USA for B-Corporation providing legal protection to the directors and officers to take into account all stakeholder interests (B-Corporation Annual Report, 2012, p. 8). The B-Corporation legislation also creates additional exclusive rights for shareholders who could hold the board accountable for social performance. The current owners of Patagonia have registered the company as a B-Corporation to allow the future owners of this highly respected and responsible business to continue its social purpose.

Monetary valuation of externalities and the reporting of environmental, social and human capital could provide a powerful and transparent way to engage the company and society. This can assist all companies and is in addition to the protection provided by a B-Corporation structure.

The leadership and cultural change provides both the biggest challenge and opportunity for engaging businesses in the sustainability challenge. As demonstrated by Puma’s management, stronger leadership effort is required to measure, value and report the full impact of the corporation on the environment and social welfare (Puma, 2010). Leadership commitment can be harnessed by including all costs/benefits of the company’s business model and in particular by monetary valuation of externalities specific to the key resource-use pattern of the company. As such, these new measures may provide a powerful new change management tool for leaders in the transformation process of their business.

A narrative for business sustainability

It is important to define a very clear role for each of the many existing and rapidly growing frameworks for corporate sustainability. In our approach we suggest that it is essential we start the corporate sustainability journey by directly addressing the why question: why should a private entity take on societal responsibility without the prospects of private gains? Companies undertake a number of activities which may resemble a societal role and the motivation for these can vary from being a simple one-off donation to a local cause to integrated CSR programmes for an extended period of time. It is
important to understand and learn from these business initiatives; however there is also a need to create a clear narrative of why all companies should take on a societal role, a social purpose to create shared value. This narrative needs to be built on solid economic theory, have grounding in management practice and carry a level of political credibility. The narrative will need to be based on holistic interdisciplinary analysis and logical argumentation of the benefits of these actions. The case for business action now needs to be easy to communicate and apparent to all stakeholders.

In Figure 1 the narrative is grounded in developing the internal strategy to create competitive advantage from understanding and managing the external relationships. The challenge for most organisations is to be able to look through and beyond the current configuration of its purpose, governance structures, shareholder relationships, legal structures and organisation culture to the external environment which could provide new insights into future strategic directions. For most companies especially in the Western liberal democratic countries the company structure and its management configuration is so well constructed that it is difficult for managers to connect the company to its external environment. This barrier between the company and its external environment as outlined in Figure 1 is likely to be strongest for larger companies, companies that are focused on short-term financial returns and companies that have higher levels of externalised costs.

The narrative in this paper can be applied to any specific company through analysis, measurement, valuation and modelling of the company’s environmental, social and human capital statements. The framework provides an answer to the why question; for the company the answer is in the holistic management of all its capital forms to gain and manage its sources of competitive advantage for the long term. Such a narrative is different from the traditional framing of business sustainability which generally discusses the business response in terms of CSR in practice and grounded in the corporate social responsibility literature. The emphasis in this paper is to restore the important role of externalities in enabling the company-specific response to business sustainability. Such a framing of business sustainability focuses on the central question of corporate value creation and is grounded in corporate strategy literature.

**Conclusion**

The introduction of externalities into the valuation model of the company and a focus on creating social, environmental, and economic value in a resource-constrained world ‘moves’ the sustainability debate from the traditional
The inclusion of externalities in the corporate valuation model creates a balanced, holistic and ethical incentive system for corporate accountability and at the same time enables business sustainability. The process of measuring, monetary valuation and formal accounting of externalities in the strategic planning process could evaluate the impact of the company on environmental, social and human capital and how the company may manage its specific sustainability challenge to create value while managing its sources of competitive advantage for the long term.

Future research needs to focus on understanding the required changes to the corporate strategic planning process, measurement systems, and benchmarks which are likely to be both inadequate and misleading when all externalised resource costs are taken into account. Continuing to operate in this traditional framing of the strategic thinking severely limits the ability of the company to gain new forms of competitive advantage and/or secure a social licence to operate. Solving this challenge could provide a system-wide catalyst for true business sustainability.

A critical area for future research in enabling business sustainability is to encourage companies to introduce and integrate sustainability issues in the strategic planning process. The strategic planning process is one of the foundations of modern business management and generally drives all policies, organisation structures, resource allocation and KPIs, and is an integral part of bringing to life the purpose of the company. The missing element in the current strategic process is an integrated planning balance sheet that captures the impact of the company on environmental, social, human and financial capital. Enabling such a strategic planning process could allow the company to manage its specific sustainability challenge and at the same time manage and capture new sources of competitive advantage for the long term.

References


Driving Sustainable Business Implementation through Tripartite Guardianship

Frédéric Narbel and Katrin Muff

Business School Lausanne, Switzerland

This essay looks at the financial markets as the main driver behind today’s corporate behavior and suggests regulating them in order to promote and support the implementation of sustainable business practices.

Despite the adoption of sustainable business practices and the growing knowledge on the topic, the change toward a sustainable and socially just world is happening too slowly. In order to ensure a faster transition from business-as-usual to sustainable business practices, laws, norms and markets need to be reviewed. New rules and regulations based on a tripartite guardianship system need to be designed in order to influence decision-makers on a global scale to quicken the transition and create a future where business, the environment and society thrive on their interconnectedness.

This essay argues that the conventional focus in the regulatory systems on shareholder profits has a negative impact on sustainability efforts and suggests that most mainstream corporations engage in sustainable business practices only when they appear to create immediate financial benefits. As such, a shift from business-as-usual to sustainable business practices will require challenging the current form of corporate structure. There is a need for further research on the relationship between the regulation of the financial industry, the role to be played by a tripartite guardianship system and its potential to be the driver for the adoption of sustainable business practices.
Introduction

In today’s business practices, the shareholder primacy view and its focus on profit maximization is broadly accepted as the only goal and general purpose of the firm. However, the negative impacts of business practices – allowing shareholders to generate profits at the expense of the environment and the society – have triggered concerns questioning the “real” purpose of the firm. Those concerns advocate that generating profits is not the sole purpose of the firm and that the costs of externalities also have to be accounted for. Sustainable business aims at promoting practices which seek to ensure that what is done today, will not have negative impacts tomorrow.

Sustainability and sustainable development

The United Nations World Commission on Environment and Development (1987) defined sustainable development as “the ability to meet current needs without impairing the ability to continue to do so in the future”. This concept originally balancing development with conservation (Kates, Parris and Leiserowitz, 2005), has since then evolved into a broader principle arguing that governments, organizations, and individuals should conduct themselves without impairing the environment and society, now or in the future (Ehrenfeld, 2008).

Sneirson (2011) argues that applied to the business context, sustainability implies meeting financial goals while simultaneously improving, or at least not worsening, the environment and society in the short or long term. This three-dimensional view of a company’s performance has come to be known as its “triple bottom line” (Sneirson, 2011) which is the bottom line of financial performance and the bottom lines reflecting the business’ environmental and social performance (Savitz and Weber, 2006). A sustainable business takes a view of the firm that is both broader and longer than the typically conventional focus on short-term financial gains (Sneirson, 2011).

Opponents to the implementation of sustainability argue that concentrating on the triple bottom line might sacrifice profits, at least in the short run. The idea is that money that might otherwise be distributed to shareholders as dividends is reinvested in the company, environmental efforts, or employees and communities. Supporters claim that such expenditures often benefit the firm financially and otherwise, over the long run. Several studies have shown that sustainable business practices tend to pay for themselves and frequently turn a profit (Eccles, Ioannou and Serafeim, 2011; Consolandi, Jaiswal-Dale, Poggiani and Vercelli, 2009).

The economic development of the past decades suggests that the free-enterprise model produces better results for business and society than does any other options (Jordi, 2010). The financial crisis we are experiencing since 2007 shows, however, that there are limitations to the free-market economy.
and its capacity to self-regulate. Serious infringements on basic ethical rules have raised questions on the way the market economy works, and in particular, the mission and goals of the firm (Jordi, 2010). Stiglitz (2002) argues that the free-market economy may not produce the inexorable march toward worldwide prosperity and well-being that is so often anticipated.

Even if business organizations may be imperfect instruments to pursue wealth-maximizing objective, they are often considered as being the entities of last resort for achieving social and environmental objectives due to their access to powerful resources. In the hope of advancing the cause of social performance, Margolis and Walsh (2003) argue that we need to understand the conditions under which a corporation’s efforts benefit society before rushing off to find the missing link between a firm’s social and financial performance.

Questioning the purpose of the firm

For years the economic perspective has dominated the discussion about the goals of the firm (Ferraro, Pfeffer and Sutton, 2005; Ghoshal, 2005). Management scholars have borrowed many concepts from economics to formulate their models and there have been serious attempts at presenting alternative views of the firm and strategic management (Donaldson and Lorsch, 1983; Freeman E., 1984; Ghoshal and Bartlett, 1997), but Jordi (2010) argues that economics and finance have shaped the dominant model.

The profit-maximization hypothesis

The modern idea of profit maximization can be traced back to Adam Smith’s (1776) “The wealth of Nations” (Jordi, 2010). Although the notion of self-interest was already present in the moral philosophy in the seventeenth century (Hirschmann, 1977), Smith’s “invisible hand” established a powerful economic justification for the pursuit of individual self-interest (Hirschmann, 1977), by arguing that a group of decision-makers’ selfish, individual interests translate into an efficient economic outcome for society (Smith, 1776; Jordi, 2010).

Jordi (2010) argues that in “The wealth of Nations”, Smith (1776) stated that the self-interest motivating market participants is a necessary and sufficient condition for efficient market functioning. Smith assumed that individuals and companies try to efficiently allocate scarce resources for various uses by pursuing their own interest. Jensen (2002) argues that since human beings are supposed to be rational, the hypothesis is that individuals and companies seek the highest efficiency. This is achieved when individuals maximize their economic well-being and companies maximize their profits or their market value (Jensen, 2002). If financial markets are efficient, this value will correspond to the company’s maximum market value. On the basis of these foundations, the
notion of shareholder value maximization took root in the 1970s (Jordi, 2010) as illustrated by Friedman’s work arguing that the primary responsibility of any firm is to increase profits; concerns for other alleged responsibility would mean neglecting what must be the company’s core responsibility (Friedman, 1970).

**Unwanted effects of the profit-maximization hypothesis**

Jensen et al. (1976) argue that as capitalism has evolved toward a capital market-based economy, another idea has taken hold. The idea is that top managers are mere agents, bound by a contractual obligation to shareholders, who delegate the task of running the business (Jensen and Meckling, 1976). By using the proper financial incentives it is possible to align senior managers’ decisions towards maximizing the firm’s value. The idea of CEOs and senior executives as agents has changed the notion of professionalism that dominated business for several decades (Khurana, 2007; Jordi, 2010).

Jordi (2010), states that this view of the firm is the source of serious problems. First, it is assumed that people seek to maximize their own utility and that the outcome is also efficient for society. Second, the market is considered to be neutral and is uninfluenced by market participants’ value-based preferences. On the basis of these assumptions, ethical criteria are excluded from people’s behavior and decision-makers and from the functioning of the market. Furthermore, the acceptance of self-interest as the sole criterion of action may threaten ethical behavior in the firm. Self-interest may be dangerous and cause damage to other people, as the current financial crisis highlights as it threatens the firm itself as an institution and makes clear that we need a different purpose of the firm (Jordi, 2010).

**The stakeholder view**

Freeman et al. (2010) state that the stakeholder mindset sees the purpose of the firm as being a source of value creation for stakeholders. This theory argues that business can be understood as a set of relationships among groups which have a stake in the activities that make up the business. To understand a business is to know how these relationships work. Under this view of the firm, the role of the executives’ or entrepreneurs’ job is to manage and shape these relationships (Freeman, Harrison, Wicks, Parmar and De Colle, 2010).

Freeman et al. (2010) argue that over time the stakeholder theory has evolved to address the problems of understanding and managing business in the world of the twenty-first century (the problem of value creation and trade); putting together considerations of ethics, responsibility, and sustainability with the usual economic view of capitalism (the problem of the ethics of capitalism). This resulted in a new understanding of what to teach managers and students about what it takes to be successful in the current business world (Freeman, Harrison, Wicks, Parmar and De Colle, 2010). The stakeholder theory argues
that we can understand capitalism as a set of relationships between customers, suppliers, communities, employees, and financiers (and possibly others), all of whom consist of human beings fully situated in the realm of both business and ethics (Freeman, Harrison, Wicks, Parmar and De Colle, 2010). Public pressure to satisfy responsibilities towards shareholders and towards other stakeholders continues to mount (Useem, 1996; Paine, 2002). Accountability, however, can distort behavior as much as it can enhance it (Lerner and Tetlock, 1999). Organization theory and research may guide how organizations can move closer to actual fulfillment of those responsibilities, rather than offering the mere appearance of doing so (King and Lenox, 2000).

The nature and role of worldviews

Considering worldviews in this essay on business sustainability is critical as a worldview does not only give meaning to information; it actively screens information, only admitting what fits a given preconceived model. Worldviews are understood to be the constellation of beliefs, values and concepts that give shapes and meaning to the world a stakeholder experiences and acts within (Norton, 1991). Worldviews also provide a frame of reference in which everything presented to us by our diverse experiences can be placed. It is a system of representation that allows us to integrate everything we know about the world and ourselves into a global image (Aerts et al. 1994).

Worldviews play a major role in complex decision-making, particularly in subjective issues (Jolly, Reynolds and Slocum, 1988). Stakeholders’ worldviews are therefore critical in helping them determine which elements of the sociological and ecological systems are important to consider when formulating objectives, policies and actions (Gary and Belbington, 1993). Research has supported the view, for example, that stakeholders’ values, beliefs and attitudes shape their environmental norms (Stern and Dietz, 1994).

Trist (1981) argues that the neoclassical worldview legitimizes the means whereby rational, self-interested agents can optimize and exploit the social system and ecological system for their own benefits. It has been commented on, for example, that this worldview shapes the observation that “traditional organizations serve only their own end. They are, and indeed are supposed to be, selfish” (Trist, 1981). Firms are more likely to pursue an economically advantageous course of action when confronted with a choice between environmental preservation and economic development (Axelrod, 1994). In particular, the dominant drive would seem to be towards profits and profits maximization (Sexton, Barrett and Shu-Ling, 2008).

Building on the stakeholder mindset which sees the purpose of the firm as a source of value creation for stakeholders and having underlined the role worldviews play in shaping their norms and values, we now need to clarify our understanding of business sustainability in order to suggest a new paradigm. To do so, we will look at understanding business sustainability, implementing business sustainability and governing business sustainability.
Understanding business sustainability

Friend (1992) argues that it is apparent that neoclassical economics do not reflect social, economic and environmental realities in a world of limited resource. He states that neoclassical economics treat nature as an infinite supply of physical resources to be used for human benefit, and as an infinite sink for the by-products of the consumption of these resources, in the form of various types of pollution and ecological degradation (Friend, 1992). Daly (1998) argues that this throughput aspect of the flow of resources form the ecological system sources into the economic system and the flow of wastes back into the ecological system does not enter into economic thinking, as it is believed to be infinite and that there is no explicit biophysical “environment” to be managed, since it is irrelevant to the economy. Externalities highlight what can be termed as “market failure”; or in other words that the market does not capture the full environmental implications of social system-ecological system interactions (Rees, 1990). The neoclassical worldview thus generates a market that consumes and substitutes ecological capital for social capital and this adverse interaction has become a major contributor to current environmental problems (Welford and Gouldson, 1993).

Callenbach (1993) argues that ecological worldviews state that firms and industries need to take a broader view of the business environment in order to embrace the ecological and sociopolitical context of organizations (Davis, 1991; Stead and Stead, 1992). Callenbach (1993) argues that the above factors are systemic, interconnected and interdependent, and need a new kind of systematic, or ecological, thinking to be understood and solved.

Understanding business sustainability is to understand that the environment in which financial wealth is generated is not an infinite supply of physical resources to be used for human benefits and that externalities have to be accounted for. This discussion allows us to introduce the Corporation 2020 concept which offers a solution to managing externalities.

Corporation 2020

The concept of Corporation 2020 has been developed on the argument that the social mission of companies blurs the boundaries between the public and the private purpose of the firm (White, 2007) and builds its case as an evolution from Corporation 1920 whose primary activities were seen as the pursuit of size, active lobbying, unethical advertising and unlimited leverage (Sukhder, 2012).

The Corporation 2020 purpose of the firm model suggests a set of principles to guide the creation of corporate designs (White, 2007) that are (1) the purpose of corporations is to use private capabilities to serve public interest. (2) Corporations have to generate fair returns for shareholders but those should not be generated at the expense of the interests of other stakeholders. (3) Corporations should operate meeting the present generation’s needs without compromising
the capacity of future generations to meet theirs. (4) Corporations should equitably distribute their wealth amongst the stakeholders contributing to its creation. (5) Corporations shall implement the concepts of good governance and (6) corporations shall not engage into lobbying activities nor infringe human rights (White, 2007).

Implementing business sustainability

In order to better understand the evolution process needed for an organization to adopt sustainable business practices, it is important to look at strategic thinking. It is essential for a company’s long-term survival as it aims at achieving improvements in the organization’s success indicators. Schoemaker (1995) argues that one of the approaches to strategic thinking is a scenario based approach. Since they depict possible futures but not specific strategies to deal with them, it makes sense to invite external stakeholders into the process, such as major customers, key suppliers, regulators, consultants, and academics. The objective is to see the future broadly in terms of fundamental trends and uncertainties (Schoemaker, 1995).

In their discussion paper Dyllick and Muff (2012) develop a typology of business sustainability using the purely economic paradigm as a starting point (Business Sustainability 0.0). From this “business-as-usual” basis, they develop three different types of sustainable business models named respectively Business Sustainability 1.0, 2.0 and 3.0. Their vision of “Business Sustainability 3.0” is a truly sustainable business model. Dyllick and Muff see it as an organization design in which firms look at the external environment within which they operate and look at ways they can contribute to resolving critical sustainability challenges. As a result of the process, the organizations will translate sustainability challenges into business opportunities making “business sense” of societal and environmental dilemmas. As a result of the process, the organizations will translate sustainability challenges into business opportunities making “business sense” of societal and environmental dilemmas. Dyllick and Muff argue that “Business Sustainability 3.0” represents a fundamentally different strategic approach to business as it turns around the traditional “inside-out” approach used by business and applies and “outside-in” approach instead. It starts out from the sustainability challenges and develops adequate strategies and business models that contribute to solving the selected sustainability challenges. By doing so, those firms create shared values for stakeholders and shareholders (Dyllick and Muff, 2012).

The implementation of business sustainability is therefore only possible once the economic goal of a company shifts from the purely economic focus of wealth maximization to a broader set of objectives taking into consideration the societal and environmental dilemmas.

Building on Dyllick and Muff’s argument stating that organizations adopting their proposed “Business Sustainability 3.0” model translating sustainability challenges into business opportunities it is necessary to look at governing business sustainability and the role the various stakeholders play.
Governing business sustainability

Eccles et al. (2012) argue that organizations voluntary implementing sustainable business practices are different from the “business-as-usual” type of corporation. Those organizations are characterized by a governance structure that takes into account the environmental, social and financial performances of their organizations and link their measurement to senior executives’ incentives. This link ensures the commitment of the organization’s executives. Sustainable organizations are also characterized by a long-term approach towards maximizing profits and an active stakeholder management process (Eccles, Ioannou and Serafeim, 2011). Finally, the authors argue that sustainable organizations are characterized by a tendency towards innovation which is used to improve financial performance while taking the environment, society and governance dimensions into consideration. (Eccles, Miller Perkins and Serafeim, 2012).

Role of the CEO

In the literature on the adoption and implementation of sustainable business practices, authors tend to focus on the role of the CEO and identify the function as the primary change agent. Eccles et al. (2012) argue for example that when leadership commitment drives the process of sustainability implementation, it usually comes from the personal commitment of a CEO to create a more sustainable company as top-level executives have the ability to create a vision and have the power to implement it. Eccles et al. 2012 demonstrate in their study that leaders of sustainable companies are perceived as taking a long-term view when making decisions and that the strong business case communicated from the top enables the company to incorporate sustainability into the core of its business (Eccles, Miller Perkins and Serafeim, 2012).

Role of the board of directors

In sustainable companies, the responsibility of the board is a key to the corporate governance system. Boards of directors perform a monitoring and advising role and ensure that management is making decisions in a way that is consistent with organizational objectives (Eccles, Ioannou and Serafeim, 2011).

The study suggests that the board of directors of sustainable firms is more actively engaged and more likely to be held accountable for reviewing the environmental and social performance of the organization. The authors argue that sustainable companies form a separate board committee that deals with sustainability issues (Eccles, Ioannou and Serafeim, 2011).

Role of sustainability committees

The responsibilities and duties of a sustainability committee include both assisting the management with strategy formulation and reviewing periodically the
sustainability performance. Other functions include assisting management in setting strategy, establishing goals, and integrating sustainability into daily business activities, reviewing new and innovative technologies that will permit the company to achieve sustainable growth, reviewing partnerships and relationships that support the company’s sustainable growth, and reviewing the communication and marketing strategies relating to sustainable growth (Eccles, Ioannou and Serafeim, 2011).

**Stakeholder engagement in sustainable corporations**

Building on that argument that stakeholders play an important role in protecting the interests of the people in the making of regulations, we argue that they should therefore be included in the decision making process of sustainable firms. Freeman et al. (1984) argue that sustainable firms are characterized by a distinct corporate governance model that focuses on a wider range of stakeholders as part of their corporate strategy and business model and are more likely to adopt a greater range of stakeholder engagement practices because such engagement is necessary to understand these stakeholders’ needs and expectations (Freeman E., 1984; Freeman, Harrison and Wicks, 2007). Therefore, the adoption and implementation of sustainability policies will result in a fundamentally distinct stakeholder engagement profile for sustainable firms.

Hillman et al. (2001) argue that prior literature suggests that stakeholder engagement is directly linked to superior shareholder wealth creation by enabling firms to develop intangible assets in the form of strong long-term relationships, which can become sources of competitive advantage. It means that superior stakeholder engagement is based on the firm’s ability to establish such relationships with key stakeholders over time and when a corporation is able to establish a relationship of trust to contracting with its stakeholders, then the corporation “will experience reduced agency costs, transactions costs, and costs associated with team production” (Jones, 1995; Foo, 2007; Cheng, Ioannou and Serafeim, 2011).

Having established the argument that sustainable organizations are different from traditional organizations as their governance structure takes into account their environmental, social and financial performances we now propose a solution to the problem of regulating the financial industry in the form of tripartite guardianship which will need to be further evaluated and tested.

**Introducing a tripartite guardianship**

In their research on rethinking social initiatives by business, Margolis and Walsh (2003) conclude that managers must find a way to do their work while balancing the financial and societal demands their organizations are exposed to. The challenge is increasing as each demand can be justified or explained by a particular conception of the firm. (Margolis and Walsh, 2003).
We assume that the need to demonstrate the economic benefits of the implantation of sustainability into corporations’ business practices can be explained by the fact that today’s business practices are rooted in the economic theory which instructs managers to focus on maximizing their shareholders’ wealth. Sneirson (2011) argues that this focus in corporate law on shareholder profits negatively impacts sustainability efforts as most mainstream corporations engage in sustainable business practices only when they appear to create immediate financial benefits for the firms.

Veasey et al. (2008) suggest that corporate law also creates a shareholder-centric bias in describing the nature of corporate fiduciaries’ legal obligations. Judicial opinions state “that corporate directors have a fiduciary duty to act in the best interests of the corporation’s shareholders” or alternatively, that corporate fiduciaries must act in the vested interests of the corporation and its shareholders (Veasey and Di Guglielmo, 2008).

Sneirson (2010) argues that under the business judgment rule, courts defer to fiduciaries’ business judgments so long as no conflict of interest is present and a decision is reached conscientiously “on the basis of reasonably full information, and with a good-faith belief that the decision is in the best interests of the firm”. If these predicates are met, company decisions, including sustainability-motivated decisions that depart from a profit-maximizing objective, are likely to withstand shareholder challenges (Sneirson, 2011).

Posner (2009) argues that the stock market, the market for capital, the market for managerial talent, and the market for corporate control also play a role in influencing corporate decision making by focusing corporation decision makers on shareholders’ returns. Because stock price is a commonly used metric for assessing executives’ performance, executives’ pay considerable attention to it, particularly when their compensation is tied to it (Posner, 2009). As a result, corporate decision makers have strong incentives to maximize shareholder returns and stock prices and avoid sustainable behaviors that might detract from them.

The theory and rationale for financial regulation

The terms regulation and supervision denote respectively the establishment of rules relating to a particular industry and the monitoring and enforcement thereof. The objectives of financial regulation cited in the literature are: (1) to protect consumers or investors; (2) to ensure the solvency and financial soundness of financial institutions; (3) to promote fairness, efficiency and transparency in the securities markets; and (4) to promote a stable financial system (Botha and Makina, 2011). Goodhart et al. (1998) suggest that the important role played by the financial system dictates that financial institutions need to be regulated to ensure consumer protection, stability of the financial system, and maximizing efficiency.

The global financial crisis of 2007 has sparked a debate over the cause and impact of the crisis. Academics and policymakers are searching for changes in
the financial system that can correct any perceived weaknesses in the structure of regulation, the content of regulation, and the coverage of financial instruments and activities (Jackson, 2009).

When financial systems are left to themselves, they have been found to create instability and contagion. The World Bank (2001) reports 112 systemic banking crises in 93 countries between the late 1970s and the end of the twentieth century (Botha and Makina, 2011). Eichengreen and Bordo (2002) have argued that crises are more prevalent today than they were in the pre-1914 era of financial globalization indicating that the incidence of financial crisis has tended to rise as financial markets have become more liberalized and globalized. Falkena et al. (2001) observe that the three main elements of a financial or banking crisis are: (1) the incentive structures are not motivational; (2) the management and control systems within the bank are weak; (3) regulations, monitoring and supervision are of poor quality (Botha and Makina, 2011).

The economic theory of regulation was first published by Stigler in 1971. Stigler theory’s crucial element was the integration of the analysis of political behavior with economic analysis (Stigler, 1971). The evolution of the theory has been centered on two basic schools of thought, namely positive theories of regulation and normative theories of regulations (Joskow and Noll, 1981). Positive theories of regulation include theories of market power, interest group theories and theories of government opportunism attempt to explain the need for regulation. Theories of market power and interest group theories explain stakeholders’ interest in regulation while theories of government opportunism explain why restrictions on government discretion need to be regulated in order to facilitate efficient provision of services.

On the other hand, normative theories of regulation state that regulators should encourage competition where possible. It is argued that through information gathering, regulators should assist in reducing the costs of information asymmetries and provide operators with performance improving incentives. The basic economic rationale for financial regulation is that financial market activity generates externalities that are not easily addressed by private agents (Falkena, Bamber, Llewellyn and Store, 2001). The problem is that externalities generate social costs in the event of failure and the social cost does not form part of the decision making function of the institutions, especially banks. This economic rationale can cause financial institutions to take more risks and spend more money as opposed to the social cost being incorporated into the overall pricing of the institution. Traditionally, this systematic issue related to social cost was the primary reason of the central function of regulation of the financial industry (Falkena, Bamber, Llewellyn and Store, 2001). This central financial regulation started to erode in the 60’s and 70’s when changes in the financial environment ultimately led to the passage of several deregulatory laws. Those laws are encouraging growth in the financial markets through interbank borrowing of funds, electronic transfers of funds, and the invention of other financial instruments outside the regulatory scope (Hammond and Knott, 1988).
The challenge of regulating the financial industry

White (2007) states that successful implementation of sustainability in business requires that corporations serve a higher social imperative and that ultimately governments are the best referee to measure corporate societal accountability. This insight is based on the fact that the government is accountable to the people, not to corporations. Companies must also recognize that human rights take precedence over company rights, and that human dignity must not be compromised for profit (White, 2007).

Governments in Europe are considering what, if any, changes they should make to their national financial systems and also are considering changes to the international systems of financial supervision and regulation in order to ensure prosperity through the smooth operation of domestic and international financial systems. Of course, there are no guarantees that modifying the current system or employing a different regulatory and supervisory structure will prevent a repeat of the most recent financial crisis given that financial markets and institutions are continually growing, innovating, and responding to government and market imposed constraints (Jackson, 2009).

Jackson (2011) argues that academics and policymakers tend to agree that the financial system can benefit from additional supervision or regulation that addresses issues of systemic risk. Such efforts require hard and possibly politically unpopular decisions concerning the supervision and regulation of domestic financial markets. New layers of international coordination could challenge entrenched national interests. Furthermore, there are no metrics for gauging whether such measures are prescription for curing the current crisis or are a policy framework for preventing the next crisis since financial markets are constantly innovating and responding to regulation and oversight. In addition, there is no model of market oversight or supervision that has proven to be clearly superior to what already exists thus far. In the absence of such a model, policymakers receive multiple recommendations but few assurances that changes to domestic and international financial frameworks, most likely achieved with considerable institutional and political resistance, will preclude another crisis (Jackson, 2009).

There seems to be some movement in national supervisory frameworks toward an integrated approach. Regulating financial activities at the national level is complicated by the nature of modern financial markets that have become highly complex and interdependent. While regulations are set largely in a national context, financial institutions are international in their activities. Without consistent regulatory standards across national boundaries they can move their activities to jurisdictions with looser standards (Jackson, 2009). National authorities are searching for consensus on an international framework to supervise and regulate the complex international financial system. At the same time, there are important gaps in the current state of knowledge concerning the nature of the complex linkages that characterize international financial markets. There seems to be some consensus that any new financial architecture should correct the shortcomings of the current system by incorporating a
number of features. Jackson (2011) argues that these features should include increased transparency, greater oversight over credit rating firms, registration and supervision over hedge funds and other derivative markets and some supervision of the credit default swap market. Beyond supporting increased supervision over these broad areas of market activities, policymakers remain divided over the specific ways that such supervision should administer. Some policymakers also argue that the international financial system can be strengthened through improvements in the data that are collected on financial activities (Jackson, 2009).

The threat of regulatory capture

Omarova (2012) argues that the current financial crisis is attributable to the regulators’ failure to maintain their independence from the financial industry and to act in the interest of the public which is referred to as regulatory capture. Regulatory capture is one of the most widely accepted concepts in the studies of politics, regulation and administrative law (Carpenter and Moss, 2012). The original theory focused on the capture of legislators by private interest groups, which used their economic resources to “buy” desired legal and regulatory outcomes from politicians. Later versions of this public choice theory and its intellectual offshoots offer a more nuanced view of regulatory capture, which comes in different forms and often defies simple definitions (Omarova, 2012).

Omarova (2012) suggests that a regulatory reform has to move beyond technocratic solutions and figure out how to incorporate broader societal interests directly into the process of financial services regulation, and how to counteract the powerful tendency toward regulatory capture in the financial sector. He suggests that an effective reform effort should seek to reinsert the concept of public interest into the structure and process of financial sector regulation and that given the high societal costs of systemic financial crises and the increasing informational and power asymmetries between the financial industry and the general public, the core issue in the reform should be how to remedy to such asymmetries (Omarova, 2012).

Tripartism and guardianship in academic debate

One of the options to ensure the incorporation of broader societal interest directly into the process of financial services regulation and to counteract the tendency toward regulatory capture in the financial sector is to add stakeholders to the discussion. One solution to be considered would be to introduce tripartite guardianship which would allow for guarding the accountability of the government to people. The term “tripartism” refers to a system designed to include public interest representatives as direct participants in the regulatory process, along with the regulatory agencies and the regulated industry. The idea of empowering an independent third party to guard against the pitfalls of regulatory capture and other forms of regulatory failure is not new in the academic
debate (Omarova, 2012). Ayres and Braithwaite (1992) view tripartism as an integral part of responsive regulations. They argue that empowering “public interest groups” or stakeholders provides a solution to the problems of regulatory capture, while allowing the government to retain the benefits of flexible and responsive regulation built on cooperation between the regulators and the regulated industries. The authors recognize that regulatory models that foster such cooperation between private actors and their regulators are inherently likely “to encourage the evolution of capture and corruption” (Ayres and Braithwaite, 1992). In this tripartite system, the stakeholders act as the appointed guardians of the public interest. However, recognizing that stakeholders can also be captured by the industry actors, Ayres and Braithwaite propose to make the guardianship contestable. Thus, multiple stakeholders would compete among themselves for the right to sit at the negotiating table and to fight for the public interest that legislation intends to protect. The main criticism of the proposed model relies in the fact that it is based on the assumption that there is always an appropriate stakeholder in each area of business regulation, which is in turn defined by a discrete statutory scheme (Ayres and Braithwaite, 1992; Omarova, 2012).

Omarova (2012) argues that in order to create a working tripartite guardianship system in the financial sector regulation, it is critical to ensure that the guardianship has statutory powers enabling it to influence the regulatory process so it does not serve as a merely consultative body or a token public interest representative. Being outside the executive branch, the guardianship would not have any direct administrative powers. It would not have any rule-making or enforcement authority and would not be able to override regulatory agencies’ decisions or to compel them to take, or refrain from taking any specific actions. In effect, the guardianship would function as a kind of permanent advisory commission, whose core mission would be to put the financial services industry and the regulators overseeing it under a constant and intense public scrutiny. It would focus on detecting potential sources of systemic risk or instability in the financial system and identifying the gaps and inefficiencies in regulatory and legislative responses to such risk. In a very fundamental sense, the guardianship would function as the public guardian of long-term stability and integrity in financial markets, seen as a public good and a matter of utmost public concern (Omarova, 2012).

Having discussed the role a tripartism guardianship system can play to protect the interests of the various stakeholders, it is now necessary to look at how it can be implemented in today’s economic models and as such, we now move on to the importance of investors.

The importance of investors

According to notions of competitive advantage, shareholder interests compete with rather than complement those of other stakeholders such as suppliers, customers and communities. Today’s management theory implies as well that managers’ interests must be aligned with those of shareholders to control
agency costs, for example, through stock options. However, the team production model of the firm offered by Blair and Stout (1999), points out that everyone (i.e. stakeholders) takes risks in providing financial, human, natural and social capital and as such, should be rewarded equally.

White (2007) argues that we need to think of a world where the social mission is not optional but embedded in the core purpose and architecture of corporations. He says only in this way will the capabilities of the corporation for innovation and problem-solving be harnessed to serve the public interest. This shift, in turn, will require challenging conventional wisdom around the fundamentals of corporate form for example the purpose, nature, ownership, shareholder primacy, fiduciary duty, internal incentives and rewards, board composition, and interface with capital markets. This argument highlights the need for regulation as this effort and its results are too important to be left uncontrolled.

Investors play a critical role in the way corporations are run, as they assume the very important function of financing the activities of a corporation. The financing role usually comes with a partial or total ownership of the capital of the corporation as well as with a risk-bearing function. In practice, the joint functions of risk bearing and ownership of capital are often re-packaged and sold in different proportions to different groups of investors through the services of the financial industry (Fama, 1980).

**Toward business sustainability**

Many fear that the mobility of corporate investment creates a “race to the bottom” in international environmental, safety and labor regulations. This fear is based on three assumptions: (1) because compliance with strict environmental, safety, and labor regulations raises production costs, firms invest in countries with lax regulatory standards. (2) Governments lower the stringency of regulatory standards in order to attract investment by mobile firms. And (3) lax regulatory standards lead to more environmental degradation, more industrial accidents and poorer working conditions than would exist in the absence of mobile capital (Murphy, 2004; Oates, 1972).

Building on the internalization process theory and the resource-based view of the firm, two theories that predict inter-firm differences in investment location decisions, Madsen (2009) argues that because firms are heterogeneous in their institutional experience and capabilities, they are also heterogeneous in their preferences for environmental regulation. As a result, firms develop distinct investment strategies, specifically, the institutional distances between a focal country and both the company’s home country and the set of countries in which it has previously invested decrease the likelihood that the company will invest in the focal country. Furthermore, the company’s environmental capabilities moderate the effect of the stringency of a country’s environmental regulation and the likelihood and magnitude of the company’s investment in that country (Madsen, 2009). These findings suggest that environmental regulation does indeed have a significant effect on investment, but the relationship resides at the firm level rather than at the industry level.
Necessary change in the investment behavior

Levine (2011) argues in a series of articles that one of the main causes of the global financial crisis of 2007-2009 was the systemic failure in the governance of financial regulation, which in turn, produced faulty “policies that encouraged financial markets to take excessive risk and divert society’s savings toward socially unproductive ends” (Levine, 2011). Levine argues that, as a result of inherent information asymmetries and lack of technical expertise, the general public is not capable of meaningful participation in financial policymaking thus highlighting the role of government in protecting the public interests. Only the regulatory agencies “not effectively designed to act in the public’s long-run interests” possess the information and expertise necessary to evaluate financial regulation’s effectiveness. Levine’s (2011) diagnosis of financial regulation’s core weakness as the systematic, institutionally embedded failure of regulatory agencies to act in the public interest, strikes at the heart of the problem. He recognizes the fundamentally political nature of the necessary reforms and articulates the need to “push the policy debate toward focusing on the general welfare of the public and away from the narrow interests of the powerful and wealthy” (Omarova, 2012).

The role played by the owners of the financial instruments is critical as they allow for corporations to finance their activities. The question therefore is to a lesser degree about the existence of such financial instruments, but more so to discuss and manage the expectations of their owners in order to align them to encompass the values of sustainable business practices. This paper argues that rules and regulations play an important role in shaping the expectations of the owners of the financial instruments. They play an important role in regulating the conditions and terms of the returns generated for the risk bearing function. As such we recommend that the rules and regulations should be the result of tripartite guardianship work in order to guarantee as much as possible that every party’s interests are represented, not only the interests of the risk bearer.

Conclusion

We have argued that the conventional focus in corporate law on shareholder profits has a negative impact on sustainability efforts and have identified the fact that today most mainstream corporations engage in sustainable business practices only when they appear to create immediate financial benefits. Given the current business environment, a shift from business-as-usual to sustainable business practices will require challenging conventional wisdom around the fundamentals of corporate structure. There is a need to re-think the purpose and the nature of ownership, the shareholder primacy, the fiduciary duty, the internal incentives and rewards, the governance, the interface with capital markets and the stakeholders.
In order to drive a change in the behavior of corporations, we suggest that regulating the way profits are generated, which entities are entitled to those profits and how those are quantified in financial terms of returns to society in general is the most efficient way to accelerate the adoption of sustainable business practices and to ensure that the interests of every stakeholder are protected. As argued in this paper, regulating an industry is an efficient way to achieve the desired outcome only if the regulations are the results of a tripartite guardianship work which refers to a system designed to include public interest representatives as direct participants in the regulatory process, along with the regulatory agencies and the regulated industry.

Further research is necessary to assess the importance, challenges, opportunities as well as unintended consequences of the relationship between regulations of the financial industry based on a tripartite guardianship system and its potential to be the driver for the adoption of sustainable business practices.

Bibliography


CHAPTER 3

PERSONAL DEVELOPMENT TOWARDS RESPONSIBLE LEADERSHIP


CHAPTER 3:
PERSONAL DEVELOPMENT TOWARDS RESPONSIBLE LEADERSHIP

This chapter is contextualized in section 2 of chapter 1 and is enriched here with further perspectives and insights. Section 2 of chapter 1 focusses on framing the challenge of responsible leadership in the broader context of management and leadership studies including the theory-practice gap. Furthermore, the section attempts to define a definition of responsible leadership based on existing literature as well as a responsible leadership grid outlining relevant competencies. Section 2 concludes with a review of Eastern and Western philosophies on the subject as well as other important concepts in order to provide the relevant context for the discussion. This chapter provides foundational work for the summative work in chapter 1 as follows:

“'The right attitude' as a key hiring criterion for graduate students in Switzerland” co-authored with Mary Mayenfisch of Business School Lausanne can be considered the introductory foundational article in this chapter. It is the result of an ongoing annual research project where we ask business executives across all industries a number of questions relating to their expectations of competencies of their employees or new hires. This particular article confirms earlier research conducted in 2010 (see 2nd article) which had already shown a strong bias of executives for soft skills. In this article, executives of various functions and positions and across a diverse range of industries overwhelmingly confirm one thing: the 'right attitude', a difficult to frame and define soft skills, is the most desired competency of new hires among business graduates. We have considered the educational consequences such a bias creates and have evaluated pedagogical solutions for this. In summary, the article demonstrates the tension known as knowing-doing-being which is also used in our responsible leadership grid in section 2 of chapter 1. Tertiary educational providers find themselves challenged to effectively develop the doing and being dimensions, having historically focused mostly on the knowing (transmission of knowledge) dimension. The article was published in the Journal of Psychosociological Issues in Human Resource Management PIHRM.
“Are business schools doing their job?” is a logical follow-on of the above article in as far as it builds on the insights of business executives and considers how an MBA program can be adapted (or transformed) in order to respond to these requirements. Using the example of Business School Lausanne (BSL), the article This paper examines how a boutique business school in Switzerland undertook a profound program revision based on the input and perspectives of business leaders. The article considers how leadership dimensions in the sphere of ‘soft skills’ (broadly in the doing and being dimensions but requiring support in the knowing dimension as well) can be developed in the context of an MBA. The transformation has led BSL subsequently to embrace a values-based approach as a school as a whole, demonstrating how change does not necessarily stop in the one area which was intended to be transformed. This article is an early indication of lessons learned and insight gained in such a transformative process. The article was published in the Journal of Management Development.

“Developing Globally Responsible Leaders in Business Schools: A Vision and Transformational Practice for the Journey Ahead” bridges the prior discussion and translates program specific efforts to larger school-based reforms. It starts by discussing the 50+20 Vision and uses it as a context to consider how business schools can transform their purpose to serve society by providing ‘responsible leadership for a sustainable world’. The article introduces the ‘Collaboratory’ further developed in chapter 4 as an example of a level 3 platform solution, in a three-order transformation process based on Bateson. It is this article that the author has first attempted to bridge the fields of sustainability and responsibility, using the educational field of business school as a welcome context. The article was published in the Journal of Management Development.

“Action Research and Management Education” is a chapter the author contributed to the 3rd Edition of the Handbook for Action Research. The article builds on the prior article in as far as it further develops how an organization can use a reflective approach when undertaking a deep change and observe itself while in this process. Using the seven choice points of action research, the article investigates how the school adapted its vision and strategy, its programs and educational approach, how it embraced a values-based approach in order
to integrate sustainability and responsibility at the very core of everything the school does. It is important to complement the bibliography of the article which is an integral part of the Handbook of Action Research and as a result does not have the required cross-references within the field of action research, including its own handbook reference (Bradbury, 2015). Both of these books are referenced here below as well as other important influencing thought leaders in action research that have influenced my chapter contribution to the Handbook of Action Research covered here (Argyris, Putman and Smith, 1985; Burns, 2007; Freire 1970; Reason and Rowan, 1981; Sherman and Torbert, 2000). Most importantly the article demonstrates the importance of the journey as compared to the outcome or end result and provides context for the next chapter where we look at how methodologies can be used to create effective transformative spaces for both individuals and organizations.

References:


"THE RIGHT ATTITUDE" AS A KEY HIRING CRITERION
FOR GRADUATE STUDENTS IN SWITZERLAND

KATRIN MUFF
katrin.muff@bsl-lausanne.ch
Business School Lausanne
MARY MAYENFISCH
mary.mayenfisch@bsl-lausanne.ch
Business School Lausanne

ABSTRACT. What do employers expect from recent business graduates or interns? And how do they think business schools should prepare students for their new positions? This practitioner-oriented article reviews these two questions which were addressed to a sample of executives in various job functions and across a wide range of industries. The answers are as surprising as they are enlightening: above all else, employers want new interns or entry-level employees to have “the right attitude,” outstanding communication skills and the ability to adapt and be flexible. The research methodology is based on 27 Swiss executives across seven industries and 4 senior management categories surveyed in individual 30 minute open-ended question interviews. The authors frame the responses in a three-level personal attributes framework which has been developed based on current literature in professional learning and development. This connects the attributes to the five stages of professional mastery. They also discuss the impact of these findings for business schools and close with suggestions for further research to deepen this discussion.

JEL Codes: E24; J21; M51

Keywords: employment criteria; hiring criteria; graduate students; soft skills; employer requirement; recruiting graduates; business school

1. Introduction

The survey conducted in 2013 in Switzerland reveals fascinating new insights in terms of priorities and preferences of corporate recruiters and senior managers in general with regard to hiring criteria of graduate business students. As such, it confirms numerous studies previously conducted which highlight the importance of “soft skills” over skills and competencies traditionally assumed critical for business students (also known as technical or “hard skills”).
The survey also provides insight into the shift of desirables attributes of future employees: while knowledge transfer has always dominated management education, that the most advanced attributes related to skills and competencies of a person are what should be the focus of management education. This survey takes us a step further by highlighting that was employers want is the most advanced element of personal attributes, namely a specific attitude, that of possessing the “right attitude.” Such attitudes comes as the cherry on the cake once a student has agreed the necessary knowledge, skills and competency in a given domain, and developing such attitudes remains a significant unresolved challenged for most business schools today.

2. Research Approach

Our analysis is based on a series of 30-minute interviews we have conducted in person and by telephone over a 12 week period (from mid-March to end of June, 2013). We focused on a balanced mix of organizations, including large Multinational Corporations (MNCs), Non-government Organizations (NGOs) as well as Small & Medium-sized Enterprises (SMEs).

<table>
<thead>
<tr>
<th>Overview of organizations by sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>22% Food and Beverage</td>
</tr>
<tr>
<td>19% Banking &amp; Financial Services</td>
</tr>
<tr>
<td>15% Consulting, security and IT</td>
</tr>
<tr>
<td>12% Pharmaceutical or Biopharma</td>
</tr>
<tr>
<td>12% Consumer Products companies</td>
</tr>
<tr>
<td>12% Government and non-government organizations</td>
</tr>
<tr>
<td>8% Materials and Energy</td>
</tr>
<tr>
<td>100% = 26 organizations</td>
</tr>
</tbody>
</table>

Of the 148 executives contacted, 28 people from 26 organizations agreed to be interviewed (a 19% response rate). As one interviewee was unwilling to allow the information to be used for publication purposes, our analysis is based on a sample of 27 interviewees, all of them located in Switzerland.

<table>
<thead>
<tr>
<th>Overview of Executives interviews (by job function)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% Management (incl. 19% Heads of Sustainability)</td>
</tr>
<tr>
<td>26% CEOs</td>
</tr>
<tr>
<td>26% Human Resources Management</td>
</tr>
<tr>
<td>19% Senior Management</td>
</tr>
<tr>
<td>100% = 27 Executives interviewed</td>
</tr>
</tbody>
</table>

We asked the executives four questions during the 30 minute interview. This article reviews, analyzes and comments two of these four questions. The other two questions are treated in an article entitled “The Importance of Experiential
Learning in the Education and Development of Responsible Leaders” (Mayenfisch and Muff, 2014).

3. Related Literature

As stated in the Vision 50+20 Management Education for the World (2013): “leadership development is a life-long learning adventure following different stages of mastery.\(^1\) This starts with awareness, actionable knowledge and guided practice, moving to independent application, and finally leading to skilled performance.”

![Figure 1](image)

**Figure 1** The development of attributes through the five levels of professional mastery

The true challenge in the educational system is not to enable students to reach stages 1 and 2, but to advance them through a life-long learning approach through all 5 stages of learning.

There is some agreement, particularly in the medical field, that the development of skilled professionals involves the domains of knowledge, skills and attitudes (Coomarasamy and Khalid, 2004). While this view still has significant buy-in in the world of learning and teaching, which is predominantly focused on the provision of knowledge, the more applied sciences (such as the medical field) are exploring the possibility of shifting the focus from superficial learning to deep learning. Such an approach is based on the following understanding:

- **Knowledge** enables awareness which creates interest.
- Knowledge enhanced **interest** sets the basis for the development of actionable knowledge and results in skills.
- **Skills** are required to allow for a guided practice in which such skills are further developed and eventually translated into development of competencies.
- **Competencies** in a given domain are required to allow for an independent application which sets the basis for the development of new attitudes.
- Such **attitudes** are the basis which eventually enable a skilled performance which is measured through new behavior.
Rather than looking at the more traditional learning-oriented stages of knowledge, skills and attitudes, we will take a professional-oriented, applied approach to learning and thus focus on the three more advanced levels of attributes:

- **Level 1:** Skills
- **Level 2:** Competencies
- **Level 3:** Attitudes

Developing the right kinds of attitudes is at best a lucky by-product of a good education. Businesses have somewhat naively assumed that by recruiting from well renowned, top business schools, they will get future employees with such attitudes. But is this really the case?

The following survey shows that businesses primarily look for employees with certain attitudes, taking competencies and skills somewhat for granted. Our research suggests that it is indeed worthwhile to consider to what degree business schools are dedicated and able to consistently and effectively develop such attitudes.

Interestingly, the Swiss educational system, which favors an apprenticeship over an academic education, (78% of Swiss choose to do an apprenticeship, most in commercial business, rather than joining a business school), offers a concrete solution to ensure that such attitudes and competencies be developed. It is well known that one can acquire new skills easier and faster – relatively speaking – (level 1), with competencies (level 2) and attitudes (level 3) being significantly more challenging and requiring more time to develop, train and acquire. Level 2 and 3 training needs practical application, on-the-job, practical training in order to truly instill and embed these levels of mastery.

### What are the key skills that employers want new employees to have?
As you can see from the title, we have deliberately asked employers to define the “skills”, not competencies or attitudes they look for in new employees. We had presumed that employers understood that competencies and attitudes were usually developed in conjunction with professional experiences in an ongoing and life-long learning process. However, the non-triggered answers that emerge show an entirely different picture:

<table>
<thead>
<tr>
<th>Question 1: What are the key skills (personality and technical) that new employees need to have when they come to work for you?</th>
<th>Skills Competencies Attitudes</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RIGHT ATTITUDE</strong> (perseverance, self-motivation, can handle pressure, humble, dedicated)</td>
<td>Attitude</td>
<td>59%</td>
</tr>
<tr>
<td><strong>FLEXIBILITY &amp; ADAPTABILITY</strong></td>
<td>Attitude</td>
<td>37%</td>
</tr>
<tr>
<td><strong>DESIRE TO LEARN</strong> (openness, curious, interested)</td>
<td>Attitude</td>
<td>33%</td>
</tr>
<tr>
<td>Attitude/Competencies</td>
<td>Skills</td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>ETHICAL &amp; VALUES-BASED</td>
<td>Attitude</td>
<td>26%</td>
</tr>
<tr>
<td>RESPONSIBLE</td>
<td>Attitude</td>
<td>19%</td>
</tr>
<tr>
<td>GETTING THINGS DONE (project management, rigor, sticks to plans)</td>
<td>Attitude</td>
<td>15%</td>
</tr>
<tr>
<td>COMMUNICATION SKILLS (effective listening and sharing)</td>
<td>Competencies</td>
<td>44%</td>
</tr>
<tr>
<td>EMOTIONAL INTELLIGENCE (empathy, people skills)</td>
<td>Competencies</td>
<td>30%</td>
</tr>
<tr>
<td>COLLABORATIVE SPIRIT (ability to work in teams)</td>
<td>Competencies</td>
<td>30%</td>
</tr>
<tr>
<td>STRATEGIC &amp; VISIONARY SKILLS (innovation, creativity)</td>
<td>Competencies</td>
<td>19%</td>
</tr>
<tr>
<td>JOB SPECIFIC SKILLS (relevant technical skills)</td>
<td>Skills</td>
<td>33%</td>
</tr>
<tr>
<td>BROAD SYSTEMIC THINKING</td>
<td>Skills</td>
<td>22%</td>
</tr>
<tr>
<td>ANALYTICAL SKILLS</td>
<td>Skills</td>
<td>22%</td>
</tr>
<tr>
<td>GENERAL BUSINESS SKILLS (incl. professional skills)</td>
<td>Skills</td>
<td>22%</td>
</tr>
<tr>
<td>CUSTOMER-ORIENTATION (marketing, presentation, service-orientation)</td>
<td>Skills</td>
<td>19%</td>
</tr>
<tr>
<td>LANGUAGE SKILLS (incl. international skills)</td>
<td>Skills</td>
<td>15%</td>
</tr>
<tr>
<td>IT &amp; COMPUTER SKILLS</td>
<td>Skills</td>
<td>15%</td>
</tr>
</tbody>
</table>

Table 1 Overview of open-ended survey of business leaders

In fact, our first open-ended question resulted in a clear hierarchy of graduate requirements:
First: Attitudes (level 3)
Second: Competencies (level 2)
Third: Skills (level 1).

These results are very similar to previous research results we conducted to determine the employment profile of MBA students (Muff 2012). The MBA survey conducted in 2010 demonstrated the clear expectation of employers of their future managers and executives. Such employees need to possess an advanced degree of “soft skills” which are represented in level 3 attitudes and to some degree level 2 competencies. We had expected that younger and less experienced graduates with little or no professional working experience (e.g. the typical Master graduate profile) would be expected to possess first and foremost the right skills (level 1) and to some degree level 2 (competencies) and level 3 (attitudes) attributes. The development of the latter two demands exposure, practice and experience within a practical working
environment, which Master graduates have typically accumulated through internship experiences.

At BSL, our pedagogical concept has always centered on experiential learning provided by a faculty of professional executives, rather than largely theoretical large-theatre learning. For more than 25 years, we have implemented this approach across all of our programs – yet it is only now that we hear that such an approach is more than a pedagogical preference but indeed a firm requirement by a representative sample of employers from all industry sectors. Let us look in more detail at the attributes that were spontaneously (not triggered results!) mentioned in our sample:

- **Fundamental attitudes** (59% wanted “the right attitude,” 37% required flexibility & adaptability, and 33% listed the desire to learn). This was followed by the need for
- **Key competencies** (communication skills 44%, emotional intelligence 30%, collaborative spirit 30%), and finally,
- **Specific skills** (job specific, technical skills 33%) were mentioned.

Having this “right attitude” (59%), knowing how to listen and share (communication skills 44%) and the ability to be flexible and adaptable (37%) all show what new employees need to possess. All these elements are rated ABOVE the very important job specific skills one would expect typically to come in first place. These basic requirements are either unheard of in classical business schools, or they are totally ignored. The alternative could be, of course, that it is not easy to develop such fundamental attitudes and competencies in students.

Higher education, including business schools, predominantly focuses on the development of skills, the so-called “level 1” of training & development skills. Such skills are clearly important and we saw that in our company outreach study (job specific skills 33%, broad systemic thinking 22%, analytical skills 22%, general business skills 22%, customer-orientation 19%, language skills 15% and IT/computer skills 15%). Interestingly, even amongst these teachable skills, there are a number that are not currently covered in business schools, namely:

- Broad systemic thinking
- Customer-orientation
- Language skills

Beyond skills trainings, only a few business schools pursue the development of competencies. These competencies require quite a different approach to learning: a move away from frontal lecturing to creating effective learning environments. If we look for outcomes such as effective listening & sharing (communication skills 33%), emotional intelligence (empathy, people skills
30%), a collaborative spirit (30%) and want students to be innovative & visionary (strategic & creative 19%), a different learning environment must be envisaged. Interesting approaches on how to develop such competencies exist; however, these demand a small classroom environment.

Advancing to “level 3” training & development requires the emergence of the sought after “new attitude” which can be measured in changed behavior and challenges even more business schools. As is clear from our outreach study, business professionals demand the following attitudes: perseverance, self-motivation, ability to handle pressure, humility and dedication (in short the “right attitude” echoing the needs of 59% of business leaders!), flexibility & ability (37%), desire to learn (33%), ethical & values-based (26%), responsible (19%), getting things done (15%). These may appear simple and yet business schools fail to prioritize the development of such attitudes in their learning objectives which create the foundation of their course and program structures.

The question needs to be asked as to whether employers know what business educators must do to produce the “right” type of employees. The following questions we asked in our study gave some interesting insights into this aspect of the equation.

**How do employers expect business schools to prepare students for internships?**

In this open-ended question we asked the 27 executives in the 26 companies: “What do you need us to do to prepare an intern/employee so that they are immediately useful?”

Interestingly enough, every response received suggested specific, desirable attributes that employers expect from interns. However, no suggestions were given as to what business educators should do to ensure that graduates acquire these attributes. One manager did, however, state that he did not know what needed to happen in education so that the right type of employees would be developed. It is fair to assume and to conclude that this is a question that may well be too far off the radar of managers. It appears, that from their perspective the only way to respond to this question would be to consider the kinds of “outputs” they expect from business schools, e.g. what types of students they would like to have apply for internships.

The lists of desirable skills, competencies and attitudes of our 27 executives were long and comprehensive, covering just about every dimension a professionally engaged person could possibly possess. We conclude from this that such an extensive and broad range of expectations needs to be very carefully managed and followed. To ensure a successful relationship with organizations, a business school needs to be prepared to clearly understand the specific needs of specific managers in specific organizations. Searching for the most
perfectly aligned student in the most suitable program at the right stage of
development would require an ability to map such attributes in students. This
certainly represents a challenge for any business school where the internship
adviser does not personally know which students should be placed in
particular companies. This is likely to be a difficult issue to address for the
majority of business schools.

Looking at the distribution of the desired and required skills, competencies
and attitudes, the responses of the sample of executives can be grouped as
follows:
- Competencies (level 2): 41%
- Skills (level 1): 37%
- Attitudes (level 3): 22%
Total: 100%

Here we see a different response from our sample population than in the
previous questions where executives placed the highest emphasis on level 3
attributes. When evaluating to what degree the functional roles were differ-
entiated in their responses, the following patterns appear (see Table 2):
- CEOs and Senior Manager state the need to develop attitudes in future
interns or employees more than the average of the sample (27% vs. 22%);
- Human Resources Directors are least focused on the development of level
3 attributes (attitude);
- Senior Managers deviate from the sample average by demanding more
level 1 (skills) and less level 2 (competencies) development (43% vs. 37%
and 29% vs. 41% respectively);
- CEOs and Management level positions find level 1 (skills) development
less important than the sample average (33% vs. 37%).

<table>
<thead>
<tr>
<th>Job function</th>
<th>Level 1: Skills</th>
<th>Level 2: Competencies</th>
<th>Level 3: Attitudes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEOs</td>
<td>33%</td>
<td>42%</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>43%</td>
<td>29%</td>
<td>29%</td>
<td>100%</td>
</tr>
<tr>
<td>Management</td>
<td>33%</td>
<td>44%</td>
<td>22%</td>
<td>100%</td>
</tr>
<tr>
<td>Human Resources Directors</td>
<td>40%</td>
<td>40%</td>
<td>20%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2 Development requirements for interns or employees by job profile

Given the sample size and the relatively moderate deviations from the sample
average, these conclusions serve as indications only which may enrich a
further discussion or additional research on this topic.
4. Conclusions

Our 2013 research with executives across a wide range of industries suggest that employers have increased their expectations with regards to new employees from the more experienced MBA and Executive MBA graduates to the much less experienced Master graduates. Surprisingly, the study shows that “having the right attitude,” a level 3 attribute, was evoked by 59% of respondents, followed by communications skills, a level 2 attribute, with 44% respondents, and “flexibility & adaptability” (another level 3 attribute) with 37%. Job specific skills (level 1 attributes) were mentioned only by 33% of the respondents when asked what key skills (personality and technical) new employees need to have when they come to work?

A further question that investigated the expectations of employees from business educators highlighted the fact that employers expect that student interns and first employment jobs should be well aware of the company context, ensuring a very solid fit for the student in the company. This requires business schools to find ways to develop matching-tools between students looking for internships or jobs and the employers approaching them for potential employment. Interestingly, despite the clear demand for level 3 attributes (the right kinds of attitudes), executives focused their expectations of business schools mostly in the area of competencies (41%) and skills (37%), followed by attitudes (22%) last. This may either indicate a lack of knowledge of how a business school should go about developing the right attitude in future employees, or the experience of collaborating with business schools that shows that these are strongest in the development of level 1 (skills) and level 2 (competencies) attributes.

Business schools are challenged to find ways to effectively develop attributes in their studies that go beyond level 1 and 2 (skills and competencies) and expand into the more demanding level 3 professional attributes (attitudes). At BSL, looking back at more than a quarter of a century of focusing on level 1, 2 and 3 attributes development through our special pedagogical approach, we find ourselves both confirmed in our approach and worried about larger business schools and business educators. Will they be able to transform to adapt to the required experiential learning foundation for all of their students? Can they ensure that their students will be able to meet employer expectations by the time they graduate?

NOTE

1. Inspired by John Ryan of the Center for Creative Leadership (CCL).
REFERENCES


FURTHER READING


→ Both articles are available on request and can be found on our website: http://www.bsl-lausanne.ch/faculty-and-research/research-and-publications

© BSL

Attachment 1 Full details of interviewees for questions 1

<table>
<thead>
<tr>
<th>Question 1</th>
<th>Key skills employees need to have when they come to work for you</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Competencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attitudes</td>
</tr>
</tbody>
</table>

**RIGHT ATTITUDE**
(perseverance, self-motivation, can handle pressure, humble, dedicated)

1- willingness to work, motivation
2- timeliness
3- persistence, driven, work exp prior to joining business
4- mature
9- engagement
13- persevering
15- right attitude
16- motivation
17- attitude
18- attitude
19- modest
20- attitude
21- humble, articulate, know how to behave
22- self motivated
25- fit with organization, synergy, easygoing, calm, work under pressure
26- demonstrate they want the job

= 16 = 59% of respondents

<table>
<thead>
<tr>
<th>Skills</th>
<th>Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>59%</td>
</tr>
</tbody>
</table>

**FLEXIBILITY & ADAPTABILITY**

3- ability to adapt
8- adaptability
12- flexibility
13- flexibility
14- flexibility

<table>
<thead>
<tr>
<th>Skills</th>
<th>Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>37%</td>
</tr>
<tr>
<td>Desire to Learn</td>
<td>Ethical &amp; Values-Based</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>3- desire to learn</td>
<td>7- understands values and principles</td>
</tr>
<tr>
<td>4- understands cultural diversity, curious</td>
<td>9- individual values mindset</td>
</tr>
<tr>
<td>5- interested</td>
<td>11- vision driven approach</td>
</tr>
<tr>
<td>7- openness and curiosity</td>
<td>19- sense of ethics, values</td>
</tr>
<tr>
<td>8- openness</td>
<td>20- ethical, integrity, courage dealing with employment</td>
</tr>
<tr>
<td>17- openmindedness</td>
<td>21- purpose driven and purposeful - challengers who question the status quo</td>
</tr>
<tr>
<td>18- openness</td>
<td>24- have orientation and values, broad in knowledge with convictions</td>
</tr>
<tr>
<td>21- quick learner</td>
<td></td>
</tr>
<tr>
<td>26- open-minded and curious</td>
<td></td>
</tr>
<tr>
<td>= 9 = 33% of respondents</td>
<td></td>
</tr>
</tbody>
</table>

**DESIRE TO LEARN** (openness, curious, interested)  
**ETHICAL & VALUES-BASED**  
**RESPONSIBLE**  
**GETTING THINGS DONE** (project management, rigor, sticks to plans)
<table>
<thead>
<tr>
<th>Skill Category</th>
<th>Competencies</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMMUNICATION SKILLS</strong> (effective listening and sharing)</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>3- understanding of communication media</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6- sense of humor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7- communication skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8- communication skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11- listening well</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13- communication,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 -effective communication,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20- communication, persuasiveness, story telling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23- ability to get message through</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25- constructive in communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26- speak the same language</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27- entry level must be able to extract salient</td>
<td></td>
<td></td>
</tr>
<tr>
<td>messages from senior management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>= 12 = 44% of respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>COLLABORATIVE SPIRIT</strong> (ability to work in teams)</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>2 - collaboration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4- team player, participative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13- team spirit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15- teamwork</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17- collaborative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19- team player wants to contribute not just gain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22- want to contribute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25- team players</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>= 8 = 30% of respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EMOTIONAL INTELLIGENCE</strong> (empathy, people skills)</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>4- potential for leadership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5- people oriented</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6- empathy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9- emotional intelligence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10- emotional intelligence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11- patience and coaching and investment in people</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13- leading teams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20- people need to be great leaders, competent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to empower and to handle</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>= 8 = 30% of respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>STRATEGIC &amp; VISIONARY SKILLS</strong> (innovation, creativity)</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>13- for managers-leadership impact, strategic thinking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17- Innovative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19- out of box thinking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18- good vision and creative ideas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27- capacity and interest to challenge corporate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>assumptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>= 5 = 19% of respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>JOB SPECIFIC SKILLS</strong> (relevant technical skills)</td>
<td></td>
<td>33%</td>
</tr>
<tr>
<td>4- technical experience in the chosen field</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5- financial accounting, financial analyst (for a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bank)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10- relevant technical skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12- relevant technical skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14- relevant technical skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20- functional skills but not so relevant</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **BROAD SYSTEMIC THINKING** | 24- good technical skills, key intelligence in subject matter  
26- higher education in economics, Masters-Swiss federal banking diploma (for a bank)  
27- subject matter experts  
= 9 = 33% of respondents |
| **ANALYTICAL SKILLS** | 9- understand contextual complexity, mind mapping skills  
14- ability to work with ambiguity  
17- move beyond silos  
18- systemic thinking skills  
21- global thinkers interested in global content  
23- understand the detail and big picture  
= 6 = 22% of respondents |
| **GENERAL BUSINESS SKILLS** | 6- know to conduct meetings for administrators  
15- good general business knowledge, academic and practical, professional skills  
16- legal skills, competent  
17- professional skills  
19- teaching, writing, fluency  
25- no fixed skill set  
= 6 = 22% of respondents |
| **CUSTOMER-ORIENTATION** | 6- public relations skills  
8- customer orientation  
12- service oriented  
16- marketing and fundraising skills,  
23- know how to make presentations  
= 5 = 19% of respondents |
| **LANGUAGE SKILLS** | 5- multilingual  
12- skilled in languages  
16- international skills  
19- language skills  
= 4 = 15% of respondents |
| **IT & COMPUTER SKILLS** | 8- management systems  
9- computer skills  
19- good with computers  
23- understand data protection, math, data mining  
= 4 = 15% of respondents |
Journal of Management Development
Emerald Article: Are business schools doing their job?
Katrin Muff

Article information:
Permanent link to this document:
http://dx.doi.org/10.1108/02621711211243854
Downloaded on: 12-07-2012
References: This document contains references to 35 other documents
To copy this document: permissions@emeraldinsight.com

Access to this document was granted through an Emerald subscription provided by UNIVERSITAT ST GALLEN

For Authors:
If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service. Information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com
With over forty years’ experience, Emerald Group Publishing is a leading independent publisher of global research with impact in business, society, public policy and education. In total, Emerald publishes over 275 journals and more than 130 book series, as well as an extensive range of online products and services. Emerald is both COUNTER 3 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.
Are business schools doing their job?

Katrin Muff

Business School Lausanne, Lausanne, Switzerland

Abstract

Purpose – The purpose of this paper is to further the debate on relevance in business education by sharing one business school’s experiences.

Design/methodology/approach – A qualitative survey was carried out, reviewed by two independent collaborators. Conclusions drawn from interviews with more than 30 CEOs and HR Directors, from across all industries, provide findings on how business leaders think about higher education in business.

Findings – The results highlight their perspective regarding: how academic programs can add real value in business; what business schools should teach more; and what they should teach less in their MBA programs.

Research limitations/implications – There was a limited sample size of 30 participants. Also, the research is used as a part of a case study being conducted about Business School Lausanne by Prof. Dr J.B.M. Kassarjian, Professor in Management at Babson College, Boston, USA.

Practical implications – A detailed account of an ambitious academic revision provides insights into how entrepreneurship can be applied and lived in the academic world.

Originality/value – This paper examines how a boutique business school in Switzerland has undertaken a profound program revision based on the input and perspectives of business leaders. It demonstrates how key learnings from personally-conducted interviews were effectively translated into the school’s MBA curriculum, thereby transforming not only the program but also the way the school interacts with program participants.

Keywords Switzerland, Business schools, Curricula, Master of Business Administration, Business education, Teaching methods, Leadership development, Management skills, Learning methods

Paper type Research paper

1. Are business schools focusing on the right things?

Every serious business school seeks to prepare future leaders to deal with the complex and far-reaching decisions that businesses face. Why then, do so many seem to fail? Reformers, the critics of the traditional business school model, suggest a range of answers from inappropriate research (too much scientific rigor instead of practical relevance) and lack of professional experience of the teaching faculty, to distortions resulting from an increased focus on ranking criteria. Traditionalists, the defenders of the existing model, claim on the other hand precisely the opposite. Rather than adding to the debate, this paper seeks to develop a constructive response to the challenge of how to best prepare future leaders. A response based on the specific approach and experience by one business school, Business School Lausanne (BSL).

The arguments of reformers and critics center around two fundamental questions: what should be taught in business schools? And by whom should it be taught? Critics of the traditional business school model suggest that the curriculum taught in business schools is only weakly related to what is important for succeeding in business.

The author wishes to thank Thomas Dyllick for his very helpful comments and insights during the various stages of this article, but most particularly in the final draft.
(Pfeffer and Fong, 2002). A Graduate Management Admission Council (GMAC) survey reveals that graduating students see little connection between “what is important to succeed in business and what is taught in business schools”. Another GMAC survey highlighted a perceived weakness in personal skills (Jenkins and Reizenstein, 1984), later confirmed by many critics who felt that quantitatively based analytical techniques received too much attention, while there was too little attention given to developing leadership and interpersonal skills, as well as to communication skills (Porter and McKibbin, 1988). Mintzberg (2004) claims that “conventional MBA programs train the wrong people in the wrong ways with the wrong consequences.” He asserts that MBA programs produce functional specialists instead of true managers.

Traditionalists point to the crucial role of defending management scholarship as a basis for evidence-based teaching. They state that the postwar success of business schools is largely due to the abandonment of the highly “relevant” but academically bankrupt “trade school” model in the 1950s with business schools moving toward a scientific model (Khurana, 2007). Those who believe that the theoretically rigorous scholarship has propelled business schools to new heights in the late twentieth century, also claim that scholars do not need to feel ashamed about the alleged irrelevance of their scholarship (Peng and Dess, 2010). They are concerned that business schools are transformed into glorified vocational training schools (DeAngelo et al., 2005) and that “enslavement to relevance is in danger of reducing our independence” (Knights, 2008), highlighting that this does not mean that management scholars do not care for practice (Walsh et al., 2007).

As such, defenders of the traditional business school model suggest that inside the “ivory tower,” scholars, by definition, are not supposed to be relevant (Kieser and Leiner, 2009; March and Reed, 2000). They claim that criticizing scholarship for being flawed because it is irrelevant reflects a lack of awareness of the nature of scholarship. They stress that superb scholarship leads to higher institutional prestige (Becker et al., 2003) which has shown to be associated with higher annual starting salaries of graduates (Mitra and Golder, 2008). But again, higher salaries must not be mixed-up with effective learning.

Meanwhile, most reform-oriented business schools agree that effective management education consists of teaching business students relevant skills for their future management positions. Cabrera (2003) points out that managers must be able to look for collaborative solutions and then implement them in socially complex environments. Traditionalists remind us that experienced students in executive education are able to examine their assumptions and develop a “complicated understanding” rather than a single “right answer” thanks to being exposed to rigorous theoretical arguments (Peng and Dess, 2010).

The second question relates to who should be doing the teaching? Many business schools have integrated experienced professionals to assure that teaching is relevant and experience is transformed into learning. Traditionalists argue that they “study managers like a zoologist might study mountain gorillas” where “you do not have to have been a gorilla yourself to understand them” (Vermeulen, 2007). Reformers, on the other hand, would be more inclined to assume that gorillas are best equipped “to show other gorillas how to peel a banana.” This paper reflects the reformers point of view, claiming that an MBA should be more about the practice of management rather than the functions of business (Gosling and Mintzberg, 2004). Practical experience shows that communication skills, leadership, interpersonal skills and wisdom – “the ability to
weave together and make use of different kinds of knowledge” (Mintzberg and Gosling, 2002) – are much more difficult to teach than theory and analytical techniques (indeed, part of the problem seems to be the method of instruction applied by business schools). Experiential learning, where concrete experience serves as the basis for observation and reflection, may be critical to advance effective learning about management (Kolb, 1976).

2. Research methodology

Two core questions will be addressed in this paper:

(1) What skills add most value to an organization?

(2) How can soft skills be taught in an MBA program?

In order to find out what skills add most value to an organization, we interviewed managers from large Swiss and international companies. The research methodology will be explained in this chapter, while the results will be reported in chapter 3. In chapter 4 the second question will be answered by demonstrating how the results from the interview study were put into practice at BSL.

There are various stakeholders determining when a business school education is relevant. There has been much emphasis in studying the expectations of students pursuing an MBA (Rapert et al., 2004) and how an MBA lives up to student expectations. At BSL we undertook a broad survey of business leaders both of organizations that employed our students as well as organizations in the highly international “local community” focussing on:

(1) CEOs and general managers of MNCs and SMEs in order to establish what skills add most value to organizations from the leader’s perspective; and

(2) human resource directors of MNCs and SMEs across all industries to understand what skills and competences were taken into account when hiring new employees.

How did we go about our study?

(1) We contacted 67 companies representing eight industries spanning from production to service and consulting in order to ensure a broad perspective.

(2) We subsequently conducted 34 interviews representing those executives who responded positively to being interviewed of the 67 companies contacted without having been re-contacted in a follow-up. The respondents represented a naturally balanced mix of CEOs and HR directors across all industries. As a result, we refrained from doing follow-ups with the companies contacted originally. The interviews were set up either in person or by phone, with the interviewer asking the precise same three questions, noting down the answers in a pre-designed notebook (follow-on questions were restricted to clarify the answers to avoid misinterpretation of the answers):

• What are key factors enabling an individual to succeed in today’s business environment?
• Given these factors, what is important to be taught in an MBA program?
• And what should not be taught in an MBA program?
3. Summary review of survey responses
We had initially contacted 76 executives in 67 companies, equally split between CEOs and HR directors, across eight industries (see Table I). Of these contacts, 34 executives...
(16 CEOs and 14 HR directors) responded without further follow-up, and interviews were set up subsequently (for an overview, see Table I).

The 34 interviews were equally spread across the eight industries (mostly four to five interviewees per industry, in two cases only three, in case six interviewees). For a detailed overview, see Table II:

The response of the interviewed executives was surprisingly positive:

- rapid response: within five business days, 28 (25 percent contacted) business leaders had responded with an interest to schedule a meeting in person; and
- high interest across all industries: executives from large multinationals (e.g. Dr Daniel Vasella, CEO of Novartis) participated, from medium-sized companies (e.g. Mr Benoît Barbiche, HR Director of Medtronic) as well as from traditional Swiss companies (e.g. Mr Guy Vibourel, General Manager Migros Geneva) coming from very different industries. The list of companies interviewed can be found in the Appendix. Their distribution by industry can be seen in Figure 1.

The company response rate of 51 percent proved significantly above expectations and may be taken as an indication of how important business leaders consider the topic of higher business education.

Though the sample size (34 interviews) does not allow statistically relevant conclusions for generalizations, the results may be taken as original insights based on qualitative research they provide interesting perspectives for the community of higher business education. After clarifying the questions, respondents were free to answer each question from their own perspective.

4. What skills add the most value to an organization?

During the Centennial Global Business Summit of Harvard Business School, Garvin and Datar (2008) highlighted in their session on the changing MBA an over-emphasis on analytics across all programs studied. “Often the education provided is seen as highly academic but with limited value in practice, driven by academic agendas rather than real-life issues.” They pointed out that recruiters and employers want more emphasis on practical issues and skills, such as: “leadership, communication skills, problem identification in ambiguous environments and self-awareness.” The question is, does this reflect in the results of our own study? What did we find with regard to our first question.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Contacted</th>
<th>Interviewed</th>
<th>Response rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer goods</td>
<td>10</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Chemical and pharma</td>
<td>9</td>
<td>6</td>
<td>67</td>
</tr>
<tr>
<td>Consulting and services</td>
<td>9</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>Engineering</td>
<td>9</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>IT and technology</td>
<td>9</td>
<td>4</td>
<td>44</td>
</tr>
<tr>
<td>Industrial</td>
<td>8</td>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td>Banking and insurance</td>
<td>7</td>
<td>4</td>
<td>57</td>
</tr>
<tr>
<td>Food products and distribution</td>
<td>6</td>
<td>5</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>34</td>
<td>51</td>
</tr>
</tbody>
</table>

Table I.
Overview of interviewed vs contacted companies by industry
Survey Question 1: what key factors enable an individual to succeed[2] in today’s business environment?

Across all industries, it can be concluded that technical skills are considered to be less important than people skills and personal attitude in the workplace. More emphasis needs to be given to teamwork and practice than to theory, using less buzz words and ready-made solutions. Companies seek generalists with good thinking abilities rather than full heads. They expect and seek employees dedicated to professional management skills.

Table II. Overview of interviewed executives by industry and company
Key success factors mentioned by business leaders are very similar despite the different fields of economic activity (see Table III). The emphasis is predominantly placed on soft skills. Humility and humanity were mentioned as critical success factors and less arrogance would certainly contribute to doing a better job. In conclusion, business leaders across all industries pointed out that teamwork, soft skills, leadership, honesty, communications skills, flexibility, creativity, motivation, being a team-player and managerial skills are key factors enabling an individual to succeed in business today.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Key Success Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and insurance</td>
<td>Getting the bigger picture, self-confidence, focus and motivation, teamwork, charisma, communication, entrepreneurship, open mind, flexibility, technical skills, can do attitude, rigor, management skills</td>
</tr>
<tr>
<td>Chemical and pharmaceutical</td>
<td>Soft skills, ambition, integrity, entrepreneurial thinking, long-term perspective, respect, honesty, flexibility, multicultural approach, the right attitude</td>
</tr>
<tr>
<td>Consulting and services</td>
<td>Communication, creativity, motivation, getting things done, delegation</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>Shared values, passion, authenticity, communication, flexibility, common sense, soft skills, creativity, integrity, leadership, management skills</td>
</tr>
<tr>
<td>Engineering</td>
<td>Analytical mind, focus on implementation, calm, seeing the larger picture, communication, creativity, teamwork, leadership, ability to deal with people</td>
</tr>
<tr>
<td>Food products and distribution</td>
<td>Entrepreneurship, long-term view, communication skills, leadership and management, integrated view, taking risk, authentic behavior</td>
</tr>
<tr>
<td>Industrial</td>
<td>Honesty, motivation, leadership, creativity, entrepreneurial thinking, flexibility, open mind, risk management</td>
</tr>
<tr>
<td>IT and technology</td>
<td>Adaptability, confidence, strategic thinking, fact-based decisions, soft skills, open mind, motivation, being a team player, communication skills</td>
</tr>
<tr>
<td>Conclusions</td>
<td>Teamwork, soft skills, leadership, honesty, communications skills, flexibility, creativity, motivation, being a team-player, managerial skills</td>
</tr>
</tbody>
</table>
The importance of soft skills and leadership skills as compared to functional skills is further highlighted when analyzing the survey results by job position:

- A total of 92 percent of CEOs and 81 percent of HR directors consider soft skills as being of prime importance in succeeding in business today. While functional knowledge was considered to be an important foundation, soft skills and getting the big picture are more critical the higher up someone moves in an organization. Irrespective of the managerial responsibilities, soft skills are what make the real difference. Or, in the words of an interviewee: “A person differentiates himself through soft skills and his attitude” and “The HOW is all that matters.”

- Only 27 percent of CEOs and 0 percent of HR directors consider functional knowledge (i.e. marketing, finance, etc.) as critical when evaluating how one adds value to an organization. While it can be assumed that subject knowledge can be taken for granted, some executives were very clear about the difference in importance: “Hard skills are easier to learn than soft skills and attitude,” or “Subject knowledge is good for many, but not for leaders,” and “Hard skills can be more easily learned through books.”

Four broad areas of individual success can be extracted from the interviews:

1. Entrepreneurial attitude: CEOs (with exception of the banking and insurance sector) are particularly clear in demanding “people who are entrepreneurs.” A total of 77 percent of CEOs and 44 percent of HR directors consider it essential that a person has an entrepreneurial attitude (i.e. the ability to make something happen, a “can-do” attitude, a willingness to build things, the ability to get things done).

2. Authentic communication: 54 percent of CEOs and 63 percent of HR directors consider an authentic communication as being essential and expressed this with statements such as: “honesty is the foundation of all collaboration,” “above all outstanding listening skills,” “ability to communicate effectively,” “to be authentic, to be real,” “behavioral competences are key,” “a collaboration mindset.”

3. Capacity to step back and get the big picture: 38 percent of both CEOs and HR directors highlighted this skill, supported with statements such as: “ability to step back from one’s function and adopt a generalist perspective,” “the higher you move up […] what matters is the ability to get the big picture.”

4. Flexibility and adaptability to change: 31 percent of CEOs and 38 percent of HR directors pointed out this competence with statements such as: “the lack of flexibility is the major reason for dysfunctional organizations,” “flexibility and adaptability is key,” “the flexibility and adaptability to deal with (permanent) change.”

Other important statements can be grouped into two further areas:

- Learning attitude: derived from statements concerning “an open mind,” “an open mind and willingness to question oneself,” “ability to be open and learn,” “willingness to be criticized, to advance and to improve.” The call for skills in developing others, in talent management is connected with this demand for continuous learning.
People management skills: derived from statements relating to “sensitivity to make the chemistry work,” “ability to motivate and energize others,” “be a role model,” “empathy, social skills,” “ability to deal with a crisis in a calm and reflective manner,” “charisma,” “self confidence without being arrogant.”

The explicit focus on entrepreneurial abilities across most businesses is an emerging factor in Europe. Traditionally, entrepreneurs were considered as highly individualistic personalities that did not necessarily fit well into a corporate environment.

5. **How can soft skills be taught in an MBA program?**

Garth Saloner (2010), Dean of Stanford University’s Business School, revealed in a recent interview that “soft skills or people skills are in short supply in managers who employers want to rise to the most important and significant ranks in their companies.” He describes the “harder skills” of finance, etc. as “kind of hygiene factors everybody ought to know”; pointing out that those skill sets are widely available without much differentiation across different providers. But companies are looking for judgment in managers and the ability to really do critical thinking.

**Survey Questions 2 and 3: what should be taught more/less in business schools?**

Quite logically, the emphasis on soft skills appears again when CEOs and HR directors are asked what should be taught in an MBA program (Table IV). Also, the current difficult economic situation triggered a need for crisis management and the need for innovation. These concerns are shared by representatives from all economic sectors. And, if asked what should be taught less in MBA programs, they mention “less ready-made answers” which are the opposite of creative thinking. Demanding technical skills and sophisticated tools should not be taught either, according to the panel of interviewees.

**What is important to be taught in an MBA program?**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Soft skills, presentation skills, leadership and management skills, humility, stress resistance, a generalist perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and insurance</td>
<td>Soft skills, case studies, strategic thinking, leadership skills, emotional intelligence, implementation skills, cultural sensitivity, strategy, teamwork, practical experience</td>
</tr>
<tr>
<td>Chemical and pharmaceutical</td>
<td>Soft skills, communication skills, personal skills, business skills, emotional intelligence, decision making, ability to step back, functional skills, crisis management, customer intimacy, hard work, delegation, public relation skills</td>
</tr>
<tr>
<td>Consulting and services</td>
<td>Ability to keep things simple (keep it simple stupid), practical experience, personal skills, case studies, functional skills</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>Leadership and emotional intelligence, fast decision making, strategy, communication, finance, accountability, business planning</td>
</tr>
<tr>
<td>Engineering</td>
<td>Generalist perspective, teamwork, values, open mind and confidence, humility, adaptability, sensitivity to culture, crisis management, historical perspective, finance, curiosity, analysis</td>
</tr>
<tr>
<td>Food products and distribution</td>
<td>Soft skills, strategy, functional skills, teamwork, realism, to question oneself</td>
</tr>
<tr>
<td>Industrial</td>
<td>Long-term view, cultural sensitivity, leadership, role play, project management, execution, decision making, governance</td>
</tr>
<tr>
<td>IT and technology</td>
<td>Teamwork, leadership, emotional intelligence, case studies, financials, business planning, project management, strategy, management, stress management, cultural sensitivity</td>
</tr>
</tbody>
</table>

**Table IV.** Important topics to be taught in an MBA program: industry-specific results
The demand to teach more soft skills is accompanied by the respective request to teach less technical or functional skills (Table V).

Leading business schools agree that there are a set of leadership skills that can be taught. However, “they have to be taught experientially, this is not something you can lecture about” (Saloner, 2010). Executives seem to notice a certain dilemma, as was expressed by an HR director in the pharmaceutical industry: “It seems difficult to hire top academics that possess excellent soft skills – there seems to be a trade-off.”

After reflecting of the above-stated research conclusions, a detailed review of the existing MBA program as well as the accumulated experience of the team, the faculty committee in charge of the new BSL MBA determined three key competences the new program would have to seek to develop in its future MBA graduates:

1. Enabling critical and pragmatic thinking: including the ability to grasp the bigger picture and to remain calm under pressure while being able to deal with insufficient and limited information.

2. Developing leadership skills: effective self-management, the ability to deal with uncertainty and being flexible and adaptable to change, to communicate authentically.

3. Developing management skills: to bring out the best in team-members, to lead change and to achieve sustainable results.

The following present an overview of the innovative approaches BSL took to ensure an effective learning environment for soft skills.

Enabling critical and pragmatic thinking

1. Integrative business simulation: the applied entrepreneurship course seeks to integrate all foundation courses (both hard and soft skills) and divides the class into teams of three to four students who run a business simulation in competition with other teams during three intense, long days. Originally developed for in-company management training, the model includes a variety of external and internal factors triggering unexpected situations, high stress levels and the pressure of insufficient information. The course grade includes not only the final business result but also the effectiveness of the team’s performance as well as individual feedback to each participant.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Less technical skills and more soft skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and insurance</td>
<td>Accounting and macroeconomics, complexity in case studies</td>
</tr>
<tr>
<td>Chemical and pharmaceutical</td>
<td>Old case studies, ready-made solutions, not too much basics</td>
</tr>
<tr>
<td>Consulting and services</td>
<td>Demanding technical skills, hard skills</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>Arrogance, too many technical skills</td>
</tr>
<tr>
<td>Engineering</td>
<td>Not too technical</td>
</tr>
<tr>
<td>Food products and distribution</td>
<td>Not too technical, arrogance, ready-made answers, less buzz words, less theory, more practice</td>
</tr>
<tr>
<td>Industrial</td>
<td>Less technical skills, do not create loners</td>
</tr>
<tr>
<td>IT and technology</td>
<td>Less technical skills</td>
</tr>
<tr>
<td>Conclusion</td>
<td>Less technical skills and more soft skills</td>
</tr>
</tbody>
</table>

Table V. Topics that should be taught less in an MBA program: industry-specific results
(2) Coaching support during consulting project: the consulting track was reinforced with a six-month coaching process, enabling participants to step back from their day-to-day concern and reflect on and review on their issues, challenges and progress in a structured manner. The class was through the entire process from planning, strategy, marketing/positioning, HR and operational considerations, financial and funding issues to the elevator pitch and final presentation training. Participants met every three weeks with a coach enabling each participant to compare his/her own progress with issues of other participants, therefore learning to stumble forward together, helping each other along the way without knowing the next hurdle ahead.

(3) Integrated guest speakers from industry: 10-15 percent of total time in class is dedicated to having medium to top-level business executives joining each single course module and enriching a topic with their real-life experience, bringing in concrete examples of what is being discussed in class.

(4) Assuming program responsibility: the faculty collaborates with participants in designing upcoming elective courses challenging them to become active players in their own education, reflecting on what they need to know in order to be equipped for their own future.

**Developing leadership skills**

(1) Effective self-management: the very first module in the program sets the stage: all change and progress starts with oneself. Participants reflect and write up their personal issues regarding their ability to succeed based on their personal and professional life. They reflect on common factors that prevent them from succeeding. The professors act as facilitators and coaches enabling participants to discover limiting behavioral and belief patterns, clarifying how action, feelings and thoughts are co-related and how to break patterns with simple tools that are applied in class and exercised outside the classroom instantly after and between classes. The post-course assignment focusses on how participants can apply what they have learned in at least three concrete domains, which they subsequently report on.

(2) Advanced communication skills: the course starts with identifying each participant's preferred communication style as a way to experience first-hand the different communication styles. Participants learn that the only thing that matters is the ability to adapt to the style of the person they wish to communicate with. In a series of experiential exercises, the class discovers that it is possible to alter one's style. The learning is both visual and profound, the tone light and fun, and the results are applied in and around the school immediately afterwards.

(3) Flexibility to change: adapting a term structure to a modular three-day course structure enabled BSL to open their MBA modules to external participants. Creating a constantly changing class environment was the most effective way to ensure that at the end of the program, MBA participants would thoroughly accustom to what it means to constantly adapt to change. Business leaders had requested this possibility and not only local managers but managers from all over the globe[3] have been joining the modules.
Empowering your future: a career coach spends the last six months with the MBA class working on each participant’s inherent and developed strengths, aligning their talents with a clear understanding of how each of them wants to add value in the future and make a relevant contribution to today’s world. While some graduates put monetary objectives first, most agree that compensation is a result not a goal. Many graduates engage in powerful social and entrepreneurial activities, aligning their newly gained skills to serve their broader professional vision.

Developing management skills

(1) Advanced teamwork and collaboration skills: the module includes an open class project that must benefit all participants. One MBA class took this as a challenge to achieve a certain level of class grades, rather than focussing on individual grades only. This resulted in support teams and a total change in attitude toward one another’s.

(2) Leading by example: in the program kick-off session, faculty and participants jointly develop and subsequently share their personal development goals for the coming six months. BSL created a collaborative rather than a hierarchical environment in the school.

(3) Managing the consulting project: having to manage ongoing, unanticipated change within a company and its environment while having to comply with BSL’s rigid requirements and deadlines poses a real and significant challenge to each student. Bridging needs of different “clients” while maintaining the overall plan, communicating effectively while knowing how to get things done in unknown circumstances is reported the most effective learning experience overall in the program.

(4) Time management: BSL established a challenging modular structure, whereby each course consists of a pre-course and a post-course element for each participant to complete against a strict deadline. As the program unrolls, the complexity of submission deadlines exerts increasing pressure on students who can only manage the program by becoming outstanding in handling time and pressure while prioritizing their work.

6. Early results and conclusions
Since BSL’s new MBA program introduction in September 2009, first insights have been gathered regarding its effectiveness. The consulting project is critical for us to measure to what degree MBAs have improved their skills. Project collaborators, advisers, coaches and faculty involved in the five-month consulting projects observed the following:

- Significant improvement in participants’ leadership and management capabilities throughout the five-month consulting process.
- An increased ability to adapt to change, to identify solutions when unforeseeable obstacles arose and to assume responsibility for the project’s overall success. This is measured by the ability to think on one’s feet, to adapt to changing circumstances, taking into account input from a variety of disciplines all the while leading this project to ensure that all intermediary submission and review
deadlines are met. These are considered key benefits participants gain from this challenge.

- More maturity in handling questions during the project defense in front of a jury, including the ability to adapt their perspective to a different point of view and, as clearly observed, the ability to adapt their communication style to the examiners they faced.

- Excellent time management in being able to secure consulting projects worldwide that met BSL's requirement to cover all domains of business (marketing, HR, finance, operations and strategy) within the established timeframe. This first-ever occurrence at BSL is significant in terms of evaluating a measurable improvement in soft skills. Given the complexity of these projects and their global orientation and having to match the tight MBA agenda with a company's own planning, represents one of real success measures in the program.

BSL graduates rate the consulting project, resulting management report and the intense moment of defending one's thinking in front of a jury as the most intense learning experience in the program. Behavioral skills take a quantum leap as participants are faced with challenges that require them to overcome their weaknesses and exploit their strengths in a real business setting.

Some recent commentators claim, that “the best in management education is yet to come” (de Onzonol, 2010) and that “business schools should question their methods of preparing participants to become innovators, leaders, creators” (Cornuel, 2010). Educating leaders to deal with future issues, involves integrating entrepreneurship, leadership and management in a very real and concrete way into MBA programs.

Notes
1. The president and the associate dean of BSL assumed the role of independent evaluators of the research.
2. “Success” was defined as “the ability to add relevant and significant value to an organization irrespective of an employee's position or level.”
3. External participants come from countries such as Malaysia, Panama, Mexico, Saudi Arabia, etc.

References


Mintzberg, H. (2004), Managers not MBAs, Berret-Koehler, San Francisco, CA.


Further reading


Appendix. List of companies interviewed

<table>
<thead>
<tr>
<th>ABB</th>
<th>J.P. Morgan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcoa</td>
<td>Johnson &amp; Johnson</td>
</tr>
<tr>
<td>Allianz</td>
<td>Kaz Europe</td>
</tr>
<tr>
<td>AstraZeneca</td>
<td>Kudelski</td>
</tr>
<tr>
<td>BCV</td>
<td>Medtronic</td>
</tr>
<tr>
<td>Bobst</td>
<td>Nespresso</td>
</tr>
<tr>
<td>BP</td>
<td>Nestlé</td>
</tr>
<tr>
<td>Bulgari</td>
<td>Novartis</td>
</tr>
<tr>
<td>Cadbury</td>
<td>PriceWaterhouseCoopers</td>
</tr>
<tr>
<td>Coop</td>
<td>Siemens</td>
</tr>
<tr>
<td>Edipresse</td>
<td>Migros</td>
</tr>
<tr>
<td>Ernst &amp; Young</td>
<td>Starbucks</td>
</tr>
<tr>
<td>Ferring</td>
<td>Sun Microsystems</td>
</tr>
<tr>
<td>Hewlett-Packard</td>
<td>UBS</td>
</tr>
<tr>
<td>IBM</td>
<td>Vibro-Meter</td>
</tr>
</tbody>
</table>

About the author
Katrin Muff is Dean at Business School Lausanne, Lausanne, Switzerland. She serves as program director of the MBA program. She was appointed Dean in 2008 after completing her DBA in Business Administration from the University of Mannheim and BSL. Serving as Dean, she ensures real-life business direction at BSL by merging her entrepreneurial and corporate background with the academic world by centering her activities on assuring that students and course participants get the best business education possible. In 2000, she co-founded Yupango, a coaching consultancy dedicated to developing start-up companies and training management teams. Prior to that, she was Director, Strategic Planning EMEA of IAMS Pet Food, a division of Procter & Gamble, in the Netherlands. Throughout the 1990s, she held several positions for ALCOA (Aluminum Company of America), working in Moscow, Russia as General Manager for Building Systems International, in the USA as an Industry Analyst for Global Mergers & Acquisitions and in Switzerland as a Business Analyst for Europe. A Swiss native, she began her career with Schindler Lifts in Lucerne, then in Australia, and holds both a Master’s and Bachelor’s in Business Administration from Business School Lausanne. She is a speaker at international conferences on the topics of leadership in business, executive coaching, developing future leaders and sustainable entrepreneurship. At BSL, she is responsible for all academic programs, spearheads the doctorate program and co-teaches the entrepreneurship track of the MBA & EMBA programs. Katrin Muff can be contacted at: katrin.muff@bsl-lausanne.ch

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints
Developing globally responsible leaders in business schools: A vision and transformational practice for the journey ahead
Katrin Muff

Article information:
To cite this document:
Permanent link to this document:
http://dx.doi.org/10.1108/02621711311328273

Users who downloaded this article also downloaded:

Access to this document was granted through an Emerald subscription provided by 322475 []

For Authors
If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com
Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.
Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.*
Developing globally responsible leaders in business schools
A vision and transformational practice for the journey ahead

Katrin Muff
Business School Lausanne, Lausanne, Switzerland

Abstract

Purpose – It is 50 years since the Gordon/Howell and Pierson reports substantially influenced and shaped management education. “Vision 50 + 20” offers an alternative future in management education for the next 20 years. The purpose of this paper is to provide insight into the suggested new purpose of business schools as role models in providing responsible leadership for a sustainable world. The article proposes a model of implementation of the vision in the domain of teaching and learning, with concrete best practice examples collected from around the world. The evolution of teaching and learning in business education is briefly reviewed in light of newly proposed “collaborator” method, hopefully launching a debate and further research in this important domain.

Design/methodology/approach – The 50 + 20 vision of management education for the world resulted from an 18-month collective creative visioning and back-casting process, looking into the future and based on explicitly normative assumptions about the need to change business education. The vision was thus primarily developed deductively from a vision of the future, rather than inductively from existing literature and theory. The scholarly assessments of business schools and business school education were used as a starting point for a normative approach, but cannot explain the vision which spans a broad area of topics and fields both within management and beyond. The author complements the vision with examples from around the world to illustrate the emergence of this vision and suggests a model for considering the implementation of vision 50 + 20.

Findings – Business schools need to fundamentally transform their purpose to serve society by providing responsible leadership for a sustainable world, embracing three relevant roles and becoming themselves a role model and a showcase for transformation.

Practical implications – The paper summarizes the result of the global co-creative visioning process of project 50 + 20 offering an alternative vision of management education for the world. More importantly, the paper also suggests a model on how to implement the vision in the domain of teaching and learning by providing concrete applications and leading examples from around the world. As such, it provides a visionary guide for any business and management scholar interested in engaging the future of management education.

Originality/value – The paper summarizes the 50 + 20 vision and introduces a practical perspective for implementing a meaningful new approach to teaching and learning.

Keywords Management education, Business schools, Business education, Transformative learning, Globally responsible leadership, Sustainability, Responsibility, Leaders

Paper type Viewpoint

This paper is written as a continuation of the 50 + 20 initiative in developing a daring new vision for management education (www.50plus20.org). As such it borrows heavily from Muff, K., Dyllick, T., Drewell, M., North, J., Shrivastava, P., Haertle, J., 2013, “Management education for the world: a vision for business schools serving people and planet”, Edward Elgar, Cheltenham, UK. Thomas Dyllick of the University St Gallen has reviewed this paper and made valuable contributions.
The need for an alternative future of management education

Some suggest that the world is at a turning point and that we are approaching the great disruption, a moment when “both mother nature and father greed hit the wall at once” (Gilding, 2011). As environmental thresholds are breached, our collective actions are triggering tipping points that may represent irreversible damage to both ecosystems and societies (Rockström et al., 2009; Raworth, 2012; Whiteman et al., 2013). Recent estimations of humanity’s global footprint suggest that we are using the resources of one and a half planets (WWF et al., 2012). The global middle class is projected to triple reaching 4.9 billion by 2030 with an additional 2.7 billion middle class consumers in Asia alone (World Economic Forum and Accenture, 2012). WWF estimates that this will increase our global footprint to reach a bio-capacity need of two planets by 2030.

The World Business Council for Sustainable Development (WBCSD) recognizes in its Vision 2050 – “nine billion people living well and within the limits of the planet” – that the demands of a growing and more demanding population have to be met within the capacity of the existing planet. This requires both a significant reduction of the ecological footprint and an improved bio-capacity (WBCSD, 2010, p. 36). Moving to a sustainable world in 2050 implies rebuilding the economy with new rules, decoupling economic growth from resource consumption and ecosystem degradation, moving markets toward true-value pricing and long-term value creation, and for business to make sustainability an easier choice for consumers and companies themselves (WBCSD, 2010, p. 10). The sheer scale of this task is rarely acknowledged (UN Secretary General, 2012). In a world of nine billion people all aspiring to western lifestyles, the carbon intensity of every dollar of output must be at least 130 times lower in 2050 than it is today. And by the end of the century, economic activity will need to take carbon out of the atmosphere rather than adding to it (Jackson 2011, p. 187). As a result, calls for a fundamental reform of capitalism abound (Meadows et al., 1972; Barton, 2011; Chouinard et al., 2011; Denning, 2011; Emerson, 2003; Ghemawat, 2011; Gore and Blood, 2011; Hart, 2005; Jackson, 2011; Johnson, 2011; Porter and Kramer, 2011; WEF, 2012).

What does this mean for business schools and management education at large? If business schools should indeed want to serve as custodians of business and society, and therefore contribute to the above-mentioned changes, they are likely to be required to embrace a significant transformation themselves. The 50 + 20 Vision described below implies indeed such a deep change. It is built on sub-elements of existing and emerging best practices both in social sciences at large as well as management education in specific, and considers transformation within executive training institutes, consulting companies, corporate universities, think tanks and vocational training centers. The elements of the vision are neither unique nor new; however, the combination of these elements into the suggested roles and enablers, as well as the underlying concept of the collaboratory, is new. In particular, the extent of the broader societal perspective and the related question of purpose, as well as the willingness to assume responsibility and become a key player in the broader societal, economic and business transformation is a departure from a mostly on business only focus at business schools to date. “Management education for the world” thus reflects two key changes in its title: first, extending a support merely for business to supporting and educating also the management and the leaders of other non-business actors and organizations such as NGOs and not-for-profit organizations; and second, a broadening of responsibility away from serving a narrow stakeholder basis to contribute to issues and challenges that are of concern to society and the world.
The development of the 50 + 20 Vision involved more than 100 people from many countries and different business schools, universities, student organizations, business consultants and NGOs (more information www.50plus20.org). An 18-month step-by-step participatory stakeholder process was designed, according to the theory and practice of co-creative processes (Kahane, 2010). It involved collective visioning techniques such as Theory U developed by Scharmer (2009) and used by him in the 50 + 20 project. In addition, it included back-casting, a technique defined by Robinson as: “explicitly normative, working backwards from a particular desirable future end-point to the present in order to determine the physical feasibility of that future and what policy measures would be required to reach that point” (Robinson, 1982). In the 50 + 20 process, we asked and were guided by the following questions:

1. What kind of a world do we want?
2. What does that mean for the kinds of societies we need?
3. What is the role of business and the economy?
4. What should business contribute to such a new world?
5. What kinds of leaders do we need to achieve such a transformation?
6. And as a result, what kind of management education do we need?

The vision of management education for the world resulted from this collective creative visioning and back-casting process, looking into the future and based on explicitly normative assumptions about the need to change business education. Vision 50 + 20 is grounded in the proposition that management education must provide a service to society. This vision therefore was not primarily developed inductively from existing literature and theory, but deductively from a vision of the future. The scholarly assessments of business schools and business school education (Porter and McKibbin, 1988; Mintzberg, 2004; Pfeffer and Fong, 2004; Bennis and O’Toole, 2005; Khurana, 2007; Lorange, 2008; Podolny, 2009; Datar et al., 2010; Colby et al., 2011; Swaen et al., 2011; Thomas and Cornuel, 2012; Thomas et al., 2013; summarized in Muff et al., 2013; Dyllick, 2013) were used as a starting point for a normative approach, but they cannot explain the result. The outcome emerged and resulted from the collective discussions and insights that were carefully crafted in an inclusive 18-month process (Muff et al., 2013). Also, the 50 + 20 Vision spans a broad area of topics and fields within the management literature. It includes pre-experience and post-experience teaching, teaching contents and methods, student personal development, leadership, research, faculty development and management, public and community engagement, business school development and management. Of equal importance, the vision covers topics from the perspective of pedagogy, adult education, psychology, sociology, economics and political science in addition to the management field.

The 50 + 20 Vision can be interpreted as a critique of the existing system of business education – which it is. Many innovative advances have been made to enhance business education which we recognize and incorporate in the vision. “We refer to these innovative initiatives as emerging benchmarks: initial sets of examples that share a relation to three proposed roles of the vision.” Collecting emerging benchmarks runs parallel to the development of the 50 + 20 Vision and will continue as the initiative grows (see www.50plus20.org/benchmarks). Examples of such benchmarks are added throughout this article to enrich the vision with real examples.
Taking these emerging benchmarks into consideration, we ask how such a new vision can be applied to management education and what this might imply for curriculum development in business schools. The author uses a future-oriented descriptive approach to illustrate potential areas of applications and enriches the suggestions with examples of emerging best practices around the world.

2. Vision 50 + 20 “management education for the world” in a snapshot

The 50 + 20 agenda envisions the business school of the future to become a key player in the resulting transformation of business and the economy, ensuring that both serve society and the world. Management education thus becomes a calling, a service to society, contributing to the significant challenges involved in ensuring responsible leadership for a sustainable world. In order to grasp the extent of this challenge, we need to clarify the underlying philosophy of the 50 + 20 Vision.

Three fundamental roles in management education are envisioned in 50 + 20 that refine and enlarge the current purpose of education and research:

1. refocussing education to ensure that we educate and develop globally responsible leaders;
2. transforming research into an applied field and infusing it with the clear purpose of enabling business organizations to serve the common good; and
3. adding a new role for management educators to engage in the transformation of business and the economy by engaging in the ongoing public debate.

In addition, the unique aspect of the 50 + 20 Vision is the creation of a space, sometimes also referred to as a “container” (Kahane, 2010). The purpose of such a space is to enable concerned stakeholders to discuss, envision, pilot and potentially resolve burning issues of local or global concern on equal grounds and by embracing a systemic, transdisciplinary approach to the issue. We have called this approach a “collaboratory,” a philosophy and approach which forms the foundation or holding platform of the three roles we have identified for business and management schools.

To date, a number of individual scholars and business schools have embraced one or the other of these roles and some of the related aspects, we are not aware of any one business schools that has embraced all these roles with the purpose of serving the world at large. Vision 50 + 20 attempts to draw the picture of an entire business school that is aligned to serve the transformation of leadership, management, business, the economy, society and the world. As such, each of these roles holds significant implementation challenges and is supported by enablers that aim to facilitate the required transformation. Each of the three roles and the collaboratory are further clarified by three enablers (Figure 1).

Role 1: educating and developing globally responsible leaders

Rather than acquiring desirable traits or isolated knowledge, the educational challenge of developing globally responsible leaders hinges on developing the potential of a person to act consistently on behalf of society, including the ability to embrace complex transdisciplinary issues and hands-on collaboration with other members of the larger community. Such an aim requires a significant adjustment to how we have been educating managers and leaders in the past, where subject knowledge represented the central focus of management education (GRLI, 2005, 2008; Mirvin and de Jongh, 2010; Quinn and Van Velsor, 2009; Wood, 2010).
While there are many challenges to be addressed, we believe the following three are the most critical levers for change in management education today:

- **Transformative learning:** leadership development is first and foremost personal development involving the whole person, mind, heart, body and soul. The development of consciousness has the potential to lead to new ways of relating to oneself and the world, triggering a personal responsibility in leaders to co-create a world in an evolving, inter-dependent process. As such, transformative learning seeks to transform problematic (limited) frames of reference into perspectives that provoke exploration into previously unknown, future-oriented and holistic solutions (Mezirow, 1987, 2000; Finger and Asún, 2001; Van Velsor et al., 2010; Erhard et al., 2012).

- **Issue-centered learning:** future-relevant learning requires a transdisciplinary, systemic approach to problems and is thus best organized around issues rather than siloing them into separate disciplines.
than subjects. In order to understand the emerging business challenges and opportunities focus needs to be placed on societal, environmental and economic issues and their interconnectivity in order to develop an ability to lead complex decision-making processes in collaboration with societal stakeholders. As such, subject knowledge is acquired alongside and teachers act as curators of knowledge (Martin, 2007; Alhadeff-Jones, 2008).

Reflective practice and field work: common wisdom claims that leaders cannot be developed without work experience, yet simply adding fieldwork and practice-exposure to a curriculum is insufficient to develop responsible leaders. It is critical for such experience to be accompanied by guided reflection, enabling the student to digest and learn from experiences made. Such an ability to self-reflect cannot be learned in one day but needs support and the external perspective of a mentor or coach (De Jesus et al., 2005; Gentile, 2010; McCall, 2010; Colby et al., 2011).

Role 2: enabling business organizations to serve the common good
Business is challenged to simultaneously create positive environmental, social and economic values across its supply chains, requiring the fundamental re-design of the modern corporation as well as its frameworks. Serving the common good, i.e. the greatest possible good for the greatest number of individuals, requires business to direct its economic and technical creativity toward societal progress. The transformational process from business-as-usual to such a new strategic and operational framework requires the active support of business and management researchers and consultants (Peck, 1994; Ghoshal, 2005; Van de Ven, 2007; Swaen et al., 2011).

To date, only a minority of research and consulting at business schools is focussed to enable companies to achieve this challenging transformation. We thus believe that the following three levels are most critical to position management educators to provide the required support:

- **Research in service of society**: the role of such a researcher would be to develop, test and adapt alternative research methodologies that allow future-oriented problem solving. As such, the researcher would jointly identify research topics in an ongoing dialogue with stakeholders, adding value by ensuring academic rigor and critical academic perspective. Such research would thus encourage the creation of businesses, business methods and solutions which address global and local challenges around environmental, societal and economic issues (Hambrick, 1994; AACSB, 2008; Rynes and Shapiro, 2005; Walsh, 2011; Open Letter to J.M. Barroso, 2011).

- **Supporting companies toward stewardship**: creating long-term societal value demands a view of business in a much broader societal, political systems dynamic. Evaluating the impact of strategic choices requires new frameworks for business. In order to support companies through these challenges, we envision a hybrid model, situated between current consulting and traditional academic research, helping organizations with simulations, crowd-sourcing, research action labs, reporting and analysis beyond the existing limits and the framework of day-to-day perspectives of an organization (Argyris, 2000; Cooperrider and Whitney, 2005; European Commission, 2012; Porter and Kramer, 2011).
Accompanying leaders in their transformation: retraining existing leaders while they are transforming their organizations into unknown domains of sustainability, demands new educational training solutions. We envision a hybrid between a corporate university, a business school and leadership centers to facilitate the learning process and personal development, both on the job and as a sanctuary away in guided reflection (Beck and Cowan, 2005; Gardner, 2011; Cowan et al., 2005; Quinn, 1996, 2004).

Role 3: engaging in the transformation of business and the economy
There is a need for leadership to contribute to the public debate related to the transformation of the purpose of business and the role of the economy. Business and management scholars have an opportunity to lead such debates concerning new economic and business models, enabling the general public to understand the stakes and required community action to drive such change. This requires both broader forms of collaboration between academic, the business world and civil society as well as business schools that become role models in the pursuit of the common good.

Given where business schools are today, we see the following three key enablers as critical levers to transform management education in this domain:

• Open access between academics and practice: we envision a free and liberal exchange between various contributors to learning and research at the business school of the future. Both professors and practitioners will shuttle back and forth between management schools and applied work in organizations, be it business, public office or NGOs. The doors will be open to experienced practitioners from business and any other field of activity, to reflect on and contribute their insights, experience and knowledge to the learning and research at the school (Walsh et al., 2007).

• Faculty as public intellectuals: we need to find incentive and reward structures for scholars to move away from highly ambitious scholarly work chiefly aimed at other scholars or the scientific community to also embrace the role of the public intellectual who addresses critical developments and provides knowledge and expertise to public debates, pro-actively engaged through research, teaching and public services (Posner, 2002; Mintzberg, 2004; Rynes and Shapiro, 2005; Khurana, 2007).

• Institutions as role models: business schools need to fundamentally rethink their own organizational models to become role models for a world seeking socially, environmentally and economically just organizations that contribute to the well-being of society. Such change will involve new models in funding, decision making, governance, compensation, selection, promotion and value creation. Faculty and administration are challenged to display the same levels of globally responsible leadership as they would wish to see in their fellow learners and participants. As such, the business school serves as a showcase of transformation in a learning journey that reveals new methods of leading and managing organizations (Thomas et al., 2013; Walsh, 2011).

The collaboratory – the meeting place of the three roles
A collaboratory involves by its very nature a circular space where action learning and research join forces – where students, educators and researchers work with members of all facets of society to address current dilemmas. As such a collaboratory can be
understood as an open-source metaspace: a facilitated platform based on open space and consciousness building methods, created around any issue of relevance and attended by members of a community (stakeholders, elders, students, researchers, parents, thought leaders across disciplines) who meet on equal terms in order to develop viable solutions to our current challenges (Muff, 2012b).

- As the preferred place for stakeholders to meet: the philosophy of the collaboratory is diametrically opposed to the thinking behind the lecture theater and provides an open space for a broad group of stakeholders to meet on equal terms, where the teacher is replaced by a skilled facilitator. As such, the collaboratory offers an influential alternative for public debate and problem solving, inclusive of views from business and management faculty, citizens, politicians, entrepreneurs, people from various cultures and religions, the young and the old (Lorange, 2008; Pentland, 2012; Pink, 2002; Scharmer, 2009).

- Where all three domains overlap and where the vision truly comes alive: at its core, the 50 + 20 Vision calls on management education to serve society. In its most simple and profound interpretation, this call of service represents the ability of holding and creating a space to provide responsible leadership for a sustainable world. This is represented by the philosophy of a collaboratory – an open space for action learning and research. Holding such a space is an art and science about co-creation in service of larger societal issues (Jung, 2010; Kolb, 1984; Kolb and Kolb, 2005; Kuh, 2008; Kahane, 2010; Senge et al., 2008).

- Collaborative action learning and research platforms organized around regional and global issues: a collaboratory can be established anywhere, virtual or real, within companies, communities – or within a management school. Its primary strengths lie in enabling issue-centered learning, conducting research for a sustainable world and providing open access between academia and practice (Revans, 1982; Pedler, 1991; Alhadeff-Jones, 2008; Quinn and Van Velsor, 2009).

To better understand the philosophical basis of the collaboratory solutions as well as the practical implications and applications, we will first take a quick look at the evolution of teaching and learning in business education and then focus on how the collaboratory may serve as an educational tool and methodology.

3. The evolution of teaching and learning in business education

Over the past decades, we have noticed an evolution of teaching and learning approaches, pedagogies and adult education. While the case study approach was the first main development away from the traditional lecture, experiential and increasingly also experimental learning have managed to find their way from other fields in the social sciences to business schools (Muff, 2012a). A mapping of innovative pedagogies to integrate corporate responsibility into the business school curriculum (Coughlan, 2008) shows that experiential learning is currently perceived as offering students the highest degree of involvement. In recent years, the need to connect meaningful content to the “neutral process” of learning has increased (Sterling, 2010). One may argue that social learning is a matter of survival given the situation our societies and planet are in on a global scale (Wals, 2007). Schumacher (1997) argues that “if education is to save us, it would have to be an education of a different kind: an education that takes us into the depth of things.” Indeed, a great deal of learning, both formal and informal, “makes no positive difference to a sustainable future, and may indeed
make the prospect less rather than more likely” (Sterling, 2010). One may indeed argue that the future of the world is closely connected to the reflexivity of human consciousness, defined as “the capacity to think critically about why we think what we do and then to think and act differently” (Raskin, 2008, p. 469). Williams (2004) suggested that the twenty-first century may become one of relearning on a grand scale, “necessitating a metamorphosis of many of our current education and learning constructs.”

The term collaboratory was first introduced in the late 1980s to address problems of geographic separation in large research projects (Wulf, 1993). In their first decade of use, collaboratories were designed from an ICT perspective to serve the interests of the scientific community with tool-oriented computing requirements. The introduction of a user-centered approach provided a first evolutionary step in the design philosophy of the collaboratory, allowing rapid prototyping and development circles. The wide acceptance of collaborative technologies in many parts of the world opened promising opportunities for international cooperation in critical areas where societal stakeholders are unable to work out solutions in isolation, providing a platform for large multidisciplinary teams to work on complex global challenges. The emergence of open-source technology transformed the collaboratory into its next evolution, causing a paradigm shift in the philosophy of collaboration. There is a need for another paradigm shift, moving the collaboratory beyond its existing ICT framework to a methodology of collaboration and toward an issue-centered approach that is transdisciplinary in nature.

Translating the concept of the collaboratory from the virtual space into a real environment demands a number of significant adjustments. While the virtual collaboratory could count on ICT solutions to create and maintain an environment of collaboration, real-life interactions require facilitation experts to create and hold a space for members of the community. The ability to hold a space is central to the vision of management education. The methods involved with holding a space focus on the ability to create and maintain an effective and safe learning platform. Such a space invites the whole person (mind, heart, soul and hands) into a place where the potential of a situation is fully realized. Facilitation and coaching experts understand the specific challenges involved in setting up an environment in which a great number of people can meet to discuss solutions that none of them could develop individually. Coaching and facilitation solutions already exist to create and hold such spaces and offer distinctly different in a felt sense from the ICT-driven virtual collaboratories.

The educational aspect of the collaboratory builds on a variety of adult-educational pedagogical approaches including participatory learning, appreciative inquiry, open space technology, embodied learning, whole person learning, consciousness building methods and self-directed learning. As such, it offers an important addition to case study-based teaching and experiential learning. Drawing a caricature of the development from teaching to learning in business schools shows both the potential and limitation of the collaboratory (Figure 2): while most advanced in the degree of engagement in the learning process, the collaboratory is not suited as a place to transmit knowledge.

The collaboratory is a place where people can think, work, learn together and invent their respective futures. Its facilitators are experienced coaches who act as lead learners and guardians of the collaboratory space. They see themselves as transient gatekeepers of a world in need of new solutions. Subject experts are responsible for...
providing relevant knowledge and contributing it to the discussion in a relevant and pertinent matter. Students will continue to acquire subject knowledge outside the collaboratories – both through traditional and developing channels (such as online or blended learning). The circular space of the collaboratory can become the preferred meeting place for citizens to jointly question, discuss and construct new ideas and approaches to resolve environmental, societal and economic challenges on both a regional and global level (Muff et al., 2013).

4. Transforming teaching and learning: three phases of change

Some critics argue that management education has failed to provide students with the right competencies, citing a variety of reasons that largely concern a disregard for integrated thinking, external contexts (e.g. social, cultural), a strong ethical framework, self-knowledge and soft skills (Colby et al., 2011; Pfeffer and Fong, 2004). Such failures include a lack of integration between business theory and practice, but also between the task and the individual. When educating, we need to move beyond knowing by including the states of doing and being. The question has been raised if or not it is possible for higher education to provide transformative learning experiences (Sterling, 2010). We have attempted to assemble critical elements of success for higher education by suggesting a journey that will include transformative learning to bring about an ecologically sustainable and socially just world.

There are many ways to go about applying the three key enablers (transformative learning, issue-centered learning and reflected fieldwork and practice), and we have identified in the role of educating and developing globally responsible leaders, and which can be incorporated into a business curriculum. A number of interesting initiatives have already emerged at various institutions around the world and these shall serve as illustrations for how such an implementation may look like. Some of them are sourced from the 50 + 20 global database[1], others have been collected to provide alternative examples.

In order to understand the degree of innovation required at an institutional level to implement such changes, a three-order model is proposed based on Gregory Bateson’s (1972) three orders of learning and change. The first-order change seeks to achieve an increase in effectiveness and efficiency and is focussed mostly on cognitive processes with the aim of “doing things better.” The second-order change involves a significant change in thinking (also called learning about learning) and leads to examining and changing assumptions. It involves meta-cognition and is reformatory in the sense of attempting to “do better things.” third-order change leads to paradigm shifts as it involves epistemic learning and is transformative by nature as it seeks to “see things differently” (Sterling, 2010). Such higher order learning experiences are necessary in order to satisfy the calls for a change of worldview as are brought forward

![Figure 2.](https://example.com/figure2.png)

The development over time -from the nineteenth century until today
as imperative by the “crisis of sustainability” (Lyle, 1994). The model seeks to serve as an attempt to differentiate between different initiatives of implementation:

- **First-order change**: “bolt-on” solutions to existing educational frameworks and programs. Such initiatives require no fundamental changes at the institutional or even program level but can simply be added to any existing curriculum. Such “innovations” may be first steps in the right direction or quick fixes to address raising external pressure from stakeholders. The three enablers are clearly distinctive as possible pathways of implementation.

- **Second-order change**: “built-in” solutions result in the creation of new or fundamentally revised educational programs by combining different enablers. Implementing such innovations requires a fundamental commitment of the department or institution at the program direction level or higher. Such solutions are dependent on change-ready culture as defined by an organization’s willingness to critically examine, and if necessary, change existing beliefs, values and assumptions.

- **Third-order change**: “platform” solutions start out by creating a platform of relevant stakeholders who define integrated solutions in a collaboratory type process. Program design is no longer focussed around content but creates a learning environment that invites self-engaged stakeholders to work together on burning issues that concern them. This is where action learning and action research meet. Such initiatives are likely to demand either the creation of a new business school or a fundamental transformation of an existing institution.

As shown in Table I, these phases highlight the transitory aspect of the proposed enablers of the 50 + 20 Vision. While the role of “educating and developing globally responsible leaders” is indeed the larger strategic mission, the way how to get there using the enablers will evolve once the transformation is under way. As such, vision 50 + 20 seeks to offer both a long-term inspiration as well as a short-term practical proposal of how to start moving into this new direction. Inspired by the transition town movement[2], vision 50 + 20 outlines a comprehensive implementation process including broad stakeholder engagement to those business schools interested to start the journey (Muff et al., 2013). This model here is designed to distinguish between different existing and emerging initiatives.

<table>
<thead>
<tr>
<th>Enabler 1: Transformative learning</th>
<th>Enabler 2: Issue-centered learning</th>
<th>Enabler 3: Reflective practice and fieldwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-order change: bolt-on solutions</td>
<td>Clearly distinct isolated approaches</td>
<td>Clearly distinct isolated approaches</td>
</tr>
<tr>
<td>Second-order change: built-in solutions</td>
<td>Combination of approaches</td>
<td>Combination of approaches</td>
</tr>
<tr>
<td>Third order change: platform solutions</td>
<td>An integrated realization of the vision by using a collaboratory process</td>
<td></td>
</tr>
</tbody>
</table>

---

Globally responsible leaders

497
First-order change: bolt-on solutions

Many business schools will recognize themselves in some of the examples below. In particular, executive education has made great progress in the past decade to advance a transformation of traditional teaching approaches to creating powerful and safe learning environments. Prior to providing the examples, we summarize the intended meaning of each enabler for further clarity:

Enabler 1: Transformative learning

Most of us are never taught how to consider the viewpoints of others. We are largely unaware of how self-limiting beliefs are formed and transformed, or how we waste our mental and physical resources with thoughts and emotions that are disconnected from a particular context. By knowing ourselves and others, we will better cope with uncertainty while maintaining a commitment to our own values, beliefs and ethics. Achieving such awareness requires a fundamentally different approach to teaching and learning.

Transformative learning involves uncovering and unlearning. Knowledge and intellect – whilst critically important – are by themselves not enough to produce a rounded leader. Responsible leadership requires a deeper empathy and values-based ethic: an innate understanding of oneself, as well as of colleagues, organizations, communities, the environment, and how all these factors relate to one another.

The key concept in transformative learning lies in the process of perspective transformation, enabling individuals to revise their beliefs and modify their behavior. We understand transformative learning not only as a rational or intellectual exercise but fundamentally consider personal experience as a critical enabler to trigger a transformation in the participant. Such learning is embedded in a philosophy of whole person learning: respecting a person in their mental, emotional, physical and spiritual dimensions, and recognizing the need to develop all these aspects of the individual in order to progress towards an increasingly integrated and therefore ‘whole’ person (50 + 20 Management Education for the World, 2012).

EXAMPLE: Adding personal development to programs to ensure that transformative learning is included across all age groups and study areas. While a number of post graduate degrees do include more or less intense focus on developing the self and the whole person, this approach is less well established in undergraduate education. As an illustration, at BSL we have introduced a 10-week course of 40 hours in total on the topic of “effective self-management” taught by two experienced transformational coaches. To ensure a safe and powerful learning environment, we have created classes of maximum 20 students as we find it challenging to cater experiential and experimental learning (Muff, 2012a).

Enabler 2: Issue-centered learning

Future-relevant learning needs to be organized around societal, environmental and economic issues both globally and locally – rather than around isolated business disciplines. A key element of issue-centered learning is a transdisciplinary, systemic approach to problems, potentially enabling complex decision-making processes. Problems are by nature multifaceted and transdisciplinary. Anticipating side-effects and consequences across multiple intricate systems requires considerable fluency in systemic thinking, as well as a talent for distilling complexity. Responsiveness to a shifting context is a critical skill for good leadership.

We do not suggest that traditional disciplinary and functional knowledge are unimportant. Instead, we want to emphasize that most business education institutions mistakenly base their curricula on functional knowledge, occasionally supplemented by a bolt-on issue-centered learning module towards the end of a student’s business studies.
A stronger issue-centered learning approach would better enable future leaders to adopt ‘deep’ sustainability solutions based on the triple bottom line of environmental, social and economic problems (50 + 20 Management Education for the World, 2012).

**EXAMPLE:** Beyond disciplinary thinking involves collaborating with disciplines outside of business to develop systems-thinking in students. There are many excellent examples of how business schools collaborate with polytechnic universities and social sciences to jointly offer highly integrative, often sustainability-focused, courses or joint degree programs. Only rarely, however, do such courses or programs offer truly innovative interdisciplinary approaches with an integrated conceptual perspective. Such systemic thinking is rare, leaving students to their own demise to figure out what is most challenging to current leaders: how to understand the complexity of the many big problems we are facing. Babson College offers an undergraduate elective entitled “Solving Big Problems” – a course that seeks to overcome the very shortcomings of the traditional approach, offering a systemic approach to the world’s big problems.

**EXAMPLE:** “Climate Change Strategy Role-Play” developed University of St. Gallen as part of the CEMS program illustrates issue-centered learning. Participants learn about all perspectives related to Climate Change in a first phase and then set out to negotiate mitigation, trading and adaptation measures in an international conference simulation where they role-play negotiations among various stakeholders (Paschall and Wüstenhagen, 2012).

**Enabler 3: Reflective practice and fieldwork**

Reflective practice and fieldwork involves providing students with hands-on experience: an active fusion of traditional functional disciplines, question-based techniques and integrated skills. No textbook can serve as a substitute for true experiential learning.

The consensus among stakeholders of management education is that leaders cannot be developed without a solid foundation of work experience. Reflective practice and fieldwork (such as internships and project work) need to be incorporated in all educational endeavors of significant duration, particularly in undergraduate and graduate studies, where students have virtually no working experience.

Another aspect of leadership creation concerns guided reflection: a critical but often ignored technique that instills a practice of both life-long (internal) and shared (external) learning, helping teachers understand their students’ core issues and challenges. Such a process is a first step towards creating a shared learning journey, involving participants in co-creating a course syllabus and thereby encouraging them to assume responsibility for their learning (50 + 20 Management Education for the World, 2012).

**EXAMPLE:** Reflective personal development and applied social learning to empower future managers to work towards a better world. Reflecting on personal behavior, on experiences in projects to re-adapt a student’s inherent theories of action is critical to develop globally responsible leaders. The University of Auckland Business School designed a highly integrative course together with two students (Tempone, 2012). Their approach ensures the integration of ethics and values in the personal behavior of each student and applies a framework of personal and business conduct to both local social enterprise projects as well as to international commercially-viable projects with the assessment focusing heavily on the student’s ability to reflect.

Applying these concepts across the entire student body and introducing personal development into the pre-experience education of bachelor programs still remains a challenge.

**Second order change: built-in solutions**

Built-in solutions require a deeper engagement of the institution to adapt current teaching and learning mechanisms and structures. Questions asked in this phase relate...
to not only efficiency and effectiveness gains but focus on figuring out to what end or in service of what. This brings about a critical assessment of bolt-on solutions invoking questions of values and ethics. The emerging solutions are often hybrids of the identified enablers mentioned in phase 1. A few examples may illustrate the emerging innovations:

**Combination of issue-centered learning (enabler 2) and transformative learning (enabler 1)**

**EXAMPLE: Embracing the artist mind-set to create a new economic mind-set:** the visiting faculty of the University of Kingston (UK) and Banff Centre for Leadership (Canada) see the dramatic arts as a way of developing practical leadership and management expertise. They build up soft skills and then transfer them to business, science and the military. They explore the idea of kinesthetic understanding, where you learn not through watching but doing “The artist’s mind-set” of metaphor and artistic processes is as robust as traditional forms of understanding such as lectures. The course explores mechanics of community and how group size, communication, and the physical environment all interact with, support and improve one another, using theatre as a guide through this learning curve. Participants explore how and why some groups need leaders and others don’t; issues of power in group projects, the interplay of subjectivity and objectivity, of expression and oppression.

**EXAMPLE: Integrating sustainability and responsibility into all courses of a given program** to ensure a built-in rather than a bolt-on approach that will serve as drivers to re-orient the purpose of business and possibly even the current economic model. As an illustration, at BSL we are in the completion phase of such a challenging exercise, having revised 40 curricula of our bachelor in business program. In a two-year project, we have worked with all concerned teaching faculty to identify ways for them to integrate these two perspectives into their courses. We were able to count on a number of experts we had among our faculty who served as internal consultants to professors who found it challenging to apply these topics to their curriculum. Our culture of shared learning and exchange of best practice, stories of successes and failures during the initial year and a sense of common interest has been critical to ensure that everybody – in the end – was willing to engage in this process (Muff, 2012).

As these two examples illustrate, in phase 2 the identified enablers are being translated into new forms of educational tools that are appropriate for an institutional environment. It is within such an environment that future-oriented transformative learning can foster the transdisciplinary perspective on sustainability. The examples of phase 3 demonstrate the extent of the quantum leap required to fundamentally transform teaching and learning to truly educate and develop globally responsible leaders.

**Third order change: platform solutions**

At this stage, a business school or institution of learning is willing to see things differently, to change its perspective and assumption and to open up to the experience of seeing its own worldview rather than seeing with its worldview. Learning processes are thus created to facilitate the fundamental recognition of a given paradigm, in order to enable paradigmatic reconstructions. These are, by definition, transformative. In the 50 + 20 Vision, the business school has thus become a custodian of society and the planet by embracing its role as a responsible leader for a sustainable world, fully embodying the three roles defined in its vision.

A central aspect at this stage are collaborative learning, research and engagement spaces. Vision 50 + 20 defines such spaces as the collaboratory, an inclusive learning
environment fostering collective creativity; a space where action learning and action research meet. The key dimensions of such a space is the active collaboration of a rich combination of stakeholders: coaches, business and management faculty, citizens, politicians, entrepreneurs, people from different regions and cultures, youth and elders, bringing in different perspectives on a given issue or topic. In such a collaboratory, learning and research is organized around burning local or global issues rather than disciplines or theory. These issues are usually complex, messy and hard to resolve, demanding creative, systemic and divergent approaches (Muff et al., 2013). By inhabiting this space, participants connect to their individual potential while also reconnecting with the society and the larger world. This reflects the realization that a shift in consciousness requires both an inner and an outer dimension; it “implies an experience of self, much more fully in transaction with others and with the environment, a participatory self or participatory mind” (Reason, 1995, p. 3).

The challenge we see for future business schools is the transformation of the current model where a few selective owners of knowledge disseminate knowledge to the masses, to a collaborative space of shared learning. This is indeed new ground for business schools and involves innovation and creativity in its conception, design, implementation and continuous improvement.

**EXAMPLE: A collaboratory** is conducted without formal separation between knowledge production and knowledge transfer or sharing, while focusing on visceral real-life issues and providing solutions that are driven by issues, not theory. Participants in a collaboratory employ problem-solving tools and processes that are iterative and emergent. Proposed solutions are directly tested, contested and modified while supporting both knowledge production and diffusion, which occur in parallel. A collaboratory process typically spans a series of collaborative sessions over a period of time; it is possible to run a single one-off collaboratory session. While there are many ways to go about designing and facilitating a collaboratory, we suggest that a process involves three phases which are inspired by the U-process (Scharmer, 2009). Step 1: Understanding the issue from all perspectives. Step 2: Finding a common ground. Step 3: Developing prototypes and action groups (Muff, 2012b).

**EXAMPLE: Professionalizing undergraduate program:** As a creative attempt, project 50 + 20 developed a four-year undergraduate program with the objective to illustrate a way to create a powerful and safe learning environment for young students without prior professional experience (Muff et al., 2013). Year 1 focuses on contextual studies through personal learning agendas with the goal to provide students with a clear understanding of the overarching global issues in the world, with subjects presented from a trans-disciplinary perspective, requiring students to develop basic applied research and systemic thinking skills. Students are introduced to the adventure of learning and self-study, and obtain a first working experience. The 2nd year, the German Wanderjahr, provides life and work experience, which they obtain by engaging in a self-created real-life experience. Each 2nd year student can rely on the coaching and mentoring support of a 4th year bachelor student who in turn is gaining exposure to the challenges of coaching and mentoring in a real 1-year experience. Facilitators work with groups of students to ensure that they are equipped with appropriate tools and methods to ensure that they not only experience but also reflect on their experiences. Upon return, these students present their past year to all undergraduates, followed by accounts of facilitators. The objective of the second part of a business bachelor is to ensure immersion into the topics of business and management. Studying the various subjects of business after having obtained a background of the context of global issues, innovations and trends, a learning-oriented education as well as personal experience in this world will allow different, more holistic approaches to these topics. The learning experience will have to be carefully crafted to ensure that students remain responsible for their learning, carefully balancing expert intervention with
applying learning in an appropriate context (experiential learning). Students continue to build the bridge from the larger context to business making a contribution to society and the world. They do study projects translating strategic issues of global challenges to business, creating a business plan around a relevant contribution to society[5].

5. Conclusion and areas for further research
Rather than training managers for organizations that operate within twentieth century logic, management educators need to answer the call to service to become custodians of society. The 50 + 20 project is searching for ways to tackle these difficult challenges. Its vision is grounded in the understanding that management education must provide a service to society.

The management school of the future understands that transforming business, the economy and society begins with its own internal transformation. A school that embraces the vision will walk its talk in a transparent and inclusive manner, leading by example through being the change it wishes to progress.

When considering the implementation of the collaboratory, the question that remains is to figure out to what degree the collaboratory can be complimentary to existing disciplinary teaching; if learning, research and public engagement could be developed predominantly according to the philosophy of the collaboratory; in what situations the collaboratory is not effective; and how the collaboratory can be adapted to be effective in different cultural settings.

This paper is written as an invitation to research in a new domain of both theoretical and applied research in management education: what is not yet known is significantly larger than what is already known and experienced in this domain. The newly introduced philosophy of the collaboratory and its related methodologies are but a first attempt to launch a debate about the introduction of open space and consciousness building methodologies as alternative means to create powerful and safe learning environments for students and researchers alike.

Notes
1. The 50 + 20 database consists of 91 emerging benchmarks from around the world: http://50plus20.org/benchmarks (accessed February 14, 2012)
2. The transition town process offers an effective process of engagement: www.transitionnetwork.org/ingredients
3. Prof Gaurab Bhardwaj’s “Solving Big Problems” course MOB3527 at Babson College, Boston, USA More information: gbhardwaj@babson.edu
4. The University of Kingston (UK) and The Banff Centre (Canada), contact: Piers Ibbotson, source: http://50plus20.org/benchmarks/banff-kingston-dramatic
5. A full copy of the draft proposal is available through: www.50plus20.org

References


Alhadeff-Jones, M. (2008), “Promoting scientific dialogue as a lifelong learning process”, in Darbellay, F., Cockell, M., Billotte, J. and Waldvogel, F. (Eds), A Vision of


Gentile, M.C. (2010), Giving Voice to Values, Yale University Press, New Haven, CT.


Quinn, L. and Van Velsor, E. (2009), “Globally responsible leadership: a leading edge conversation”, Center For Creative Leadership Whitepaper, Center For Creative Leadership, Greensboro, NC.


World Economic Forum and Accenture (2012), More with Less: Scaling Sustainable Consumption
WWF, Zoological Society of London, Global Footprint Network, European Space Agency (2012),
“Living planet report 2012: biodiversity, biocapacity and development”, available at:

Further reading
the Historical Development of Learner Practices”, Cognition And Instruction, Vol. 19 No. 1,
pp. 47-94.
Gordon, R.A. and Howell, J.E. (1959), Higher Education for Business (Carnegie Foundation
McDonald, R. Third year undergraduate course for business students ‘Managing Change for
a Better World”, winner of the 2012 PRME global curriculum competition, UN PRME,
New York, NY.
Pierson, F.C. (1959), The education of American Businessmen (Ford Foundation Report),
Prahalad, C.K. (2005), The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through
No. 6, pp. 8-13.
Ray, P.H. and Sherry, R.A. (2000), The Cultural Creatives: How 50 Million People are Changing the

About the author
Katrin Muff has been Dean of Business School Lausanne (BSL), Switzerland, since 2008. Under
her leadership, the school expanded its focus to embrace a three-pillar vision of entrepreneurship,
sustainability and responsibility in education and applied research. Dr Muff anchors BSL in its
contribution to business and beyond, by contributing her entrepreneurial and corporate
background to academia. She has led the design process for the new MBA, serves as Program
Director for the doctoral program and co-directs the diploma in sustainable business with the
University St Gallen. A Swiss native, Katrin Muff began her career in the late 1980s with
Schindler Lifts in Lucerne, then in Australia. She holds both an MBA and doctoral degree from
Business School Lausanne. Throughout the 1990s she held several positions for ALCOA,
working in Moscow, Russia as General Manager, in the United States in Global Mergers &
Acquisitions and in Switzerland as a Business Analyst for Europe. After a one-year sabattical
dedicated to filmmaking, Dr Muff assumed the position of Director, Strategic Planning EMEA of
IAMS Pet Food, a division of Procter & Gamble, in The Netherlands. In 2000 she co-founded
Yupango, a coaching consultancy dedicated to developing start-up companies and training
management teams. Prior to joining BSL she consulted three Swiss universities in a strategic
collaboration and operated her independent coaching, training and leadership development
practice. Katrin Muff can be contacted at: katrin.muff@bsl-lausanne.ch

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints
This article has been cited by:

1. Thomas Dyllick. 2015. Responsible management education for a sustainable world. *Journal of Management Development* 34:1, 16-33. [Abstract] [Full Text] [PDF]

2. Eric Cornuel, Ulrich Hommel. 2015. Moving beyond the rhetoric of responsible management education. *Journal of Management Development* 34:1, 2-15. [Abstract] [Full Text] [PDF]

3. Claudius Bachmann. Can Practical Wisdom be Taught in Business Schools? An Inquiry-Based Learning Approach for Management Education 277-302. [Abstract] [Full Text] [PDF] [PDF]

4. Lucill Curtis, Martin Samy. 2014. Investigating whether UK business schools need to be more business-like in order to survive in today’s dynamic environment. *International Journal of Educational Management* 28:6, 728-750. [Abstract] [Full Text] [PDF]

5. Maureen Brookes, Levent Altinay, Kate Ringham. 2014. Successful implementation of responsible business practice. *Worldwide Hospitality and Tourism Themes* 6:1, 4-9. [Abstract] [Full Text] [PDF]
Action Research as a Transformative Force in Management Education: Introducing the Collaboratory

Katrin Muff

Looking back at the experience of the organizational and program transformations at Business School Lausanne (BSL), it occurs to me that action research has been, in many ways, the underlying mode of inquiry we’d been working with even before we knew it. As such, action research may be said to have revealed itself to me as a way to conceive of and further cultivate our daily work.

At BSL, we have experienced so many different, at first hidden, domains of action research. In this chapter we will consider a number of these to demonstrate the various applications of action research. This chapter therefore illustrates what Bradbury-Huang (2013) refers to as the choice points of quality in action research:

- How we have used action research to transform the BSL organizational system as a whole.
- How we include action research in helping companies in their transformative sustainability journey.
- How we built on the action research philosophy to co-create a new Executive program.
- How to explicitly use action research as a leading future-relevant methodology in a newly designed doctoral program.
- How to use action research to support societal change through stakeholder-engaged prototyping.

Our first exposure to action research was back in my first year as Dean of BSL, when I initiated the radical re-design of our MBA program. My coaching and consulting background had provided me with a worldview that has resulted in a preferred way to approach the creation of a new program. It may be called a consultative collaborative approach. I called it ‘stumbling forward together’. Professor Kassarjian of Babson College observed this process from the outside and wrote a three-part case study on change leadership about these initial years at BSL (Kassarjian, 2012).

When re-designing our MBA program, our chief objective and desire was to build...
a program that was in line with the expectations of the market. This meant that we needed to take a look outside to understand what the requirements were. This was contrary to the existing belief of how to construct a program. A key element of success was the creation of an ongoing ‘safe space’ for exploring new ideas. We defined the needs of the market by asking how senior executives in a variety of industries define the skills, competencies, and attitudes of the most valuable pearls in their organizations. Interviews with 30 CEOs and HR directors provided us with 78 attributes and three clear priorities for the program. The design team consisting of existing faculty, external consultants, and advisers worked together to create a first prototype of the new program which was tested by a student cohort and further improved in the following two years. I have outlined this process in detail (Muff, 2012).

After further two years, we gathered again and considered the extensive feedback of students and embraced new important design changes in the program. We are currently in the third ongoing re-design phase and both students and professors have come to appreciate the ongoing dialogue around how we can further improve the program to reach our objective.

An important thing we learned when articulating these objectives is that the quality in what we did, and in action research in general, is reflected ‘in the extent to which the action research explicitly addresses the objectives relevant to the work and the choices made in meeting those’ (Bradbury-Huang, 2013). We learned that again and again, we needed to clarify our underlying worldviews and perspectives to unveil subconscious intentions.

**PARTNERSHIP AND PARTICIPATION: TURNING BSL INTO A CO-CREATIVE PLATFORM**

As a privately owned, relatively small business school, BSL represents a unique opportunity to advance the agenda of providing responsible and sustainable education to future leaders in business and beyond. In the past two years, we have used the evaluation and auditing process of the Economy of the Common Good movement (ECG) to re-energize our transformational process. The ECG originated in Austria (www.gemeinwohloekonomie.org) and builds on the key constitutional values of dignity, solidarity, ecological sustainability, social justice, and democracy, to create a matrix for organizations to evaluate their contribution to society based on how these values are translated for all relevant stakeholders.

To re-vitalize the transformative spirit, we chose to have students drive the project and applied for a paid consulting project in the Executive Diploma in Sustainable Business that we jointly operate with the University of St. Gallen. For ten months, a team of four students led the process of evaluating BSL’s societal contribution through extensive engagement with all stakeholder groups (students, parents, alumni, companies, the board, the administration, and the faculty). Once they had identified the blind spots, the students invited representatives of all stakeholders to brainstorm how we could overcome these blind spots. Nine so-called ‘green-teams’ formed, consisting of always a mix of stakeholders, often students, professors and administrative staff. Over a period of six to twelve months, these teams worked to implement important changes at BSL, creating a dynamic and a spirit of change unlike anything the organization had ever experienced. The entry-hall was redone, plastic cups eliminated, awareness videos shot, and most importantly, a new mission was developed and born that has since propelled BSL to fully embrace a three pillared vision simultaneously: sustainability–responsibility–entrepreneurship.

In this stakeholder-driven process to define our mission, my fear was that the end-result would be a consensus-driven, watered-down, weak, pleasing statement that wouldn’t contain the seeds of provocation and rebellion that we were starting to dare to express more fully. Interestingly, the opposite happened.
Once first drafts started to circulate and the debate about the message was launched, some of the more conservative stakeholders – our faculty – surprised us all by fully embracing what we had in mind. I remember very keenly a moment where a professor of marketing said in a large circular discussion: ‘If you really want to be that radical and if you are not afraid of what this means to your customers and market, then you need to be a lot more explicit and clear about it. Express it loud and clear; at least this will enable those that get it to be attracted to the school’.

I am very proud of our mission which now reads:

We provide a learning platform for individuals and organizations to thrive by co-creating viable business solutions for our planet and its people.

It took months to find these words. And in these months, not only friendships were built as a result of such intense partnership and participation, but we also experienced the broad spectrum of working with stakeholders in consultation all the way to truly engaging with them as full co-researchers in our journey.

SIGNIFICANCE AND SUSTAINABILITY: CREATING A LARGER VISION

Ever since the financial crisis in 2008, the same year I became Dean at BSL, public voices questioning the relevance of business schools could no longer be ignored. The 50+20 movement (www.50plus20.org) emerged from a side event of the 2010 Academy of Management Annual Meeting in Montreal. The conference was attended by more than 12,000 management scholars and was held under the motto ‘Daring to Care’. A handful of deans, directors, and professors got together to agree that it was high time that we developed a radical new vision for business schools and management education as a whole. The story of what followed is well documented, covering the collaborative visioning process and the launch activities at the RIO+20 Conference in June 2012 (e.g. Muff et al., 2013).

The 50+20 vision, which can be summarized as follows, became the guiding star for BSL:

Rather than train managers for organizations that operate within twentieth century logic, management educators need to answer the call of service to become custodians which provide a service to society. The management school of the future understands that transforming business, the economy and society begins with its own internal transformation. Thus becoming an example by being the change such an institution wishes to progress, Vision 50+20 envisions three fundamental roles in management education:

1. Educating and developing globally responsible leaders,
2. Enabling business organizations to serve the common good,
3. Engaging in the transformation of business and the economy.

As a primary educational institution, our prime focus was to improve and transform our educational programs. In addition, however, the 50+20 vision made us realize that we could and should embrace our responsibility in helping the transformation of organizations both in business and beyond to embrace sustainability, thus serving society and the planet. Our greatest challenge was to embrace the newly defined role of becoming a meeting place for citizens and concerned stakeholders to resolve burning societal issues. Having been instrumental in developing the ‘Collaboratory’ methodology for 50+20 vision, we decided to further develop and explore the range of applications of the Collaboratory.

The Collaboratory method represents an interesting way to unite all three roles defined by Vision 50+20. In the domain of education, the degree of engagement in learning can be portrayed as shown in Figure 33.1.

Simply put, the Collaboratory offers the highest degree of engagement of any educational tool known in business education to
The Collaboratory is not only an educational tool but also a stakeholder-engagement methodology from applied research and potentially an action research practice.

A similar logic applies when considering what it might take to transform business schools. We differentiate between three orders of implementing change (see Figure 33.2).

First-order change is represented by so-called ‘bolt-on’ solutions which can be adopted relatively easily without a deep institutional change. Second-order change represents solutions which are considered ‘built-in’ and which demand a profound inner transformation of an institution. Third-order change involves so-called ‘platform’ solutions which are co-created by relevant stakeholders on issues of concern. Such platform solutions exceed the existing organizational thinking and the often existing competitive spirit between institutions and aims at creating a space where collaboration can reign in service of solving an issue or concern that is of greater interest. When looking at the landscape of business schools, the biggest challenges right now are not in the area of shifting to a third-order change but to recognize that a first-order change has not yet really addressed the issue, no matter how challenging it was to get it accomplished.

When shifting the perspective from the institutional transformation that is required of a business school to consider what kind of

---

**Figure 33.1** The evolution of teaching and learning approaches in business schools over time (Muff, 2013a)

---

**Figure 33.2** Three orders of implementing change and learning for globally responsible leadership (Muff, 2013a)
support business organizations require to be able to change themselves, a similar challenge emerges. While the large majority of organizations are busy with first-order change, the challenge lies not only in embedding sustainability deeply in the organization as is defined by a second-order change, but to adopt an entirely new perspective on one’s purpose and become a positive contributor to solving burning societal and environmental issues in ‘platform’ solutions together with other relevant stakeholders (third-order change). Differentiating between these three ways of thinking and operating is also a useful framework to help business organizations to understand the transformative journey to serve the common good, helping them understand what ‘business sustainability’ actually meant. The term sustainability had been used (and abused) increasingly in the past decade and had come to mean many things to many people. Together with Thomas Dyllick from the University of St. Gallen, we developed a ‘Business Sustainability Typology’ defining three different types or stages for organizations to embed sustainability (Dyllick and Muff, 2013). This typology consists of three types of Business Sustainability: 1.0, 2.0 and 3.0, which can be directly connected to the three orders of change. To ensure a practical application of this conceptual idea for business, we wrote a follow-on article to facilitate the translation of the concept to the various organizational dimensions (Muff and Dyllick, 2014).

The above illustrations seek to demonstrate how an organization of any kind can achieve significance and sustainability by selecting a perspective of meaning and relevance that goes beyond the immediate context of the organization in order to support of the ‘flourishing of persons, communities, and the wider ecology’ (Bradbury-Huang, 2013).

**ACTIONABILITY: CO-CREATING FUTURE-RELEVANT EDUCATION**

In the context of the 50+20 vision creation process, we felt it was important to not only propose a conceptual vision, but to also offer a concrete solution for one of the key aspects of the 50+20 vision, namely creating a sustainable business course for mid-career professionals. Given BSL’s unique ability to implement new programs swiftly, we decided to co-create such a program in Switzerland.

In the design stage, we were looking for clarity in defining the purpose and focus of the course, the learning outcomes, and creative pedagogical solutions to ensure that these objectives could be achieved.

The first challenge was to identify all key stakeholders who had the relevant knowledge and experience to contribute to such a unique ‘light-house’ course. We invited all relevant program directors of fellow universities, key consultants in the domain of business sustainability, coaches, and facilitators experienced in developing transformative leaders and invited everybody for two creative brainstorming sessions which we hosted at BSL. Walls covered in paper, we facilitated a carefully designed process that helped clarify the core design principles of the program (see Figures 33.3 and 33.4).

The subject competence is divided in the three aspects: starting with global challenges, from which we derive strategic implications on a societal/industry level, to finally evaluating the business impact on an organizational level. We developed nine modules rotating through these three aspects in three consecutive rounds in order to ensure that students would end up with a fluency to shift among these different perspectives. In addition, the subject competence is complemented with leadership modules to ensure that students have the capability to implement change, and a nine-month hands-on strategic consultancy project so that graduates could apply what they had learned in a real company.

In Fall 2012, we launched an innovation cohort which completed the nine-month programs just days before we headed to the RIO+20 conference. The inclusion of the class in the program design review and their constructive contributions to amend and improve
the program proved so valuable, that we have kept the co-creative spirit of program design with every new class. So far, we have amended the program three times and have always found important ways to further improve both elements and the overall structural logic. We are now in the fourth edition and have found a way to integrate the feedback of the cohorts into the ongoing design changes.

The ongoing co-creative design of this program is an example of how action research can trigger and influence actionability as an emergent unfolding, which as Bradbury-Huang (2013) suggests highlights the ways in which: ‘quality can be reflected in the extent to which the action research provides new ideas that guide action in response to need’.

**APPROPRIATE METHODS AND PROCESS: CO-CREATING FUTURE-RELEVANT RESEARCH**

As shown, it is possible to design an educational program in a co-creative action research manner, with stakeholders in cycles of action and reflection. Another challenge is how to reinvent the research domain in higher education. Following the launch of the 50+20 vision,

---

**Figure 33.3** The three subject domains of the Diploma of Sustainable Business
Source: www.bsl-lausanne.ch

**Figure 33.4** The three learning dimensions of the Diploma in Sustainable Business
Source: www.bsl-lausanne.ch
the community of involved business schools challenged itself to come up with a prototype in doctoral education with the idea of developing a research faculty for the future. We started a series of meetings to discuss the objectives of an ideal doctoral training and identified the need to not only develop research skills but to also work on the person and leadership, coaching, and consulting skills. After two co-creative sessions, which were similar in approach as described in the previous section, we had developed a skeleton of a program. A key insight of these design sessions was the understanding that we needed to develop future-relevant faculty and consultants with the necessary skills to help organizations to embed sustainability. We understood that we could achieve this by adopting the philosophy and methodology of action research and other relevant skills and competencies.

As no school had the ability to quickly implement a prototype of what we had developed, we decided at BSL to revise our existing DBA program and to launch an innovation cohort consisting of interested existing and newly enrolled students. As we didn’t possess all the necessary competencies to professionally accompany such a demanding program, we created an alliance with a global research network in sustainability and invited leading global experts in the key areas of competence to form a program supervisory team. Building on the initial program draft, we developed the DBA program structure (see Figure 33.5) and invited the first cohort to a one-week training session in Switzerland, provided training in action research and company consulting. In this week, the faculty support team and the cohort further refined the program and co-defined the program deliverables, approach, and required support.

The interesting part of the journey is how the faculty and the students advance together in frequent webinars and how the support faculty co-develops the program as we go; embracing challenges such as building bridges between a more classical case study research in phase 1 with the action research approach in phase 2. As a faculty support team, we are very conscious to what degree the continuous development and adaptation of the program structure itself is emergent action research.

We have learned that principles of action research can be applied both in the ongoing

---

Figure 33.5 The BSL Doctorate in Business Administration program overview

Source: www.bsl-lausanne.ch
adaptation and co-creation of a program. Additionally, they can be used as a research method and learning journey for the students in a program. Finding the appropriate methods and processes in such a journey is a continuous challenge. This example seeks to serve as an illustration of how to ‘articulate and illustrate the action research process and related methods, including the voices of participants in the research’ (Bradbury-Huang, 2013).

CONTRIBUTION TO ACTION RESEARCH THEORY AND PRACTICE: CO-CREATING FUTURE-RELEVANT SOCIETAL ENGAGEMENT

When implementing the third role of the 50+20 vision, namely embracing societal engagement, we benefitted from the Collaboratory philosophy and methodology that we had drafted for the RIO+20 conference and which has been very successfully used in many other applications ever since. The spontaneous spreading of the Collaboratory methodology worldwide has encouraged us to put together a practitioner handbook (The Collaboratory, Muff, 2014) consisting of the various underlying action research philosophies (open space, Theory U [see also Scharmer and Kaufer, Chapter 19, this volume], the circle work, Appreciative Inquiry [see also Duncan, Chapter 5, this volume], etc.) and a wide variety of concrete applications in various domains (education, business, citizen movements).

A Collaboratory can be described as ‘the preferred place for stakeholders to meet’ (Muff, 2013a). The philosophy of the Collaboratory is diametrically opposed to the thinking behind the lecture theater and provides an open space for a broad group of stakeholders to meet on equal terms, where the teacher is replaced by a skilled facilitator. As such, the Collaboratory offers an influential alternative for public debate and problem solving, inclusive of views from business and management faculty, citizens, politicians, entrepreneurs, people from various cultures and religions, the young, and the old. It is a combination of action learning and action research as practice for large-scale change endeavors.

At BSL, we use the Collaboratory as our way to engage with our local civil society. We regularly organize issue-based Collaboratory events which we hope initiate and trigger change initiatives locally. In 2012 we started with a Collaboratory on the topic of ‘basic income’, the idea that every citizen in need receives a basic revenue that allows her to survive. We invited all concerned stakeholders, those for and against this, those who didn’t know and wanted to inform themselves, policymakers, unemployed youngsters, artists with irregular income, managers, and self-employed entrepreneurs, and selected five experts among them who represented all key points of view. We measured the position of all participants at the beginning and the end of the event and were amazed to note a shift from 20% for, 70% undecided, 10% against the idea at the beginning of the session to 70% for the idea, 25% undecided, and 5% against the idea at the end of the session. Rarely had we seen such a powerful shift of not only awareness but revised points of view. In 2013, we held a series of collaboratories around the idea of the ‘Economy for the Common Good’, an Austrian initiative that offers an alternative economic perspective and a concrete tool for organizations to measure their societal impact (Felber, 2012). The goal of this Collaboratory was to establish the Economy for the Common Goods movement locally in the Swiss-French region. In 2014, we added two more Collaboratory initiatives, one on the hot issue of corruption and a student-led project on reducing consumer food waste in Switzerland by 50% in 2017. These collaboratories have shaped our understanding of our role in the regional society and how we use the convening power of our business school to invite concerned citizens and stakeholders to meet and discuss quantum-leap solutions by back-casting from a shared vision. Participants tell us that it is impossible to explain what the experience is like unless you participate in such a facilitated process. The ‘Collaboratory’ book
hopefully serves as a tool to grow the use of this wonderful methodology beyond its manifold applications today.

From an action research perspective, the interesting thing about the Collaboratory lies in the fact that the research topic is defined together with stakeholders and that the researcher assumes an active role in supporting prototype solutions by ensuring rigor in the implementation process of prototypes. The researcher takes an active part in the experiment and serves as both a loyal and stringent observer on how the experiment unfolds noting how assumptions, worldviews, and perspectives shift in the course of the development of a prototype, as well as by providing relevant pragmatic research methodologies and tools that allow a rigorous observation of the experiment against the initially expected outcome. As such, the researcher puts himself at the service of solving a burning societal issue in real time, allowing for a very direct positive impact for society. Such a researcher operates in a very different mode than a conventional researcher who self-selects his research topic and focuses on past occurrences to understand the phenomena he is studying. Albert Einstein once said that ‘you cannot solve a problem with the same mind that created it’ framing precisely the challenge and limitation of traditional research. Our interest in the Collaboratory as a tool to solve future-relevant issues with co-creative stakeholder-engagement processes which as accompanied by forward-thinking action researchers is to overcome this very limitation. We consider the Collaboratory as a place where action learning meets action research. We are only starting this journey and are looking for testimonials and feedback from any action researcher with experience or an interest in furthering this field.

In summary, the Collaboratory represents not only an exciting new way to combine education and research in the relevant ‘action’ mode for future solutions, but it offers also an opportunity of a third-order change in business schools by advancing from ‘bolt-on solutions (first-order change)’ to ‘built-in solutions (second-order change)’ to ‘platform solutions’ (Muff, 2013a). At such a stage, a business school or university is willing to see things differently, to change its perspective and assumption and to open up to the experience of seeing its own worldview rather than seeing with its worldview. Learning processes are thus created to facilitate the fundamental recognition of a given paradigm, in order to enable paradigmatic reconstructions. These are, by definition, transformative. The challenge we see for future business schools is the transformation of the current model where a few selective owners of knowledge disseminate knowledge to the masses, to a collaborative space of shared learning. This is indeed new ground for business schools and involves innovation and creativity in its conception, design, implementation and continuous improvement (Muff, 2013a).

The manifold use and application of action research as the ideal mode of research in such a collaborative space is expected to richly contribute to the action research theory and knowledge, hopefully enriching and expanding the vibrant community that engages with it.

REFLEXIVITY – SHARING LEARNING AMONG STUDENTS

Bringing this home to the local student experience are Fred, Gulen, and Munif, all doctoral level candidates at BSL. Across ten time zones, they settle into their weekly Skype call updating each other on their progress with their in-company research. Fred is a master of time management and adaptability. As a busy Sales Director in charge of Europe and Asia for a US multinational, he travels 80% of his time, dialing in from the strangest places. His issue right now is to find a way to help the Head of Sustainability of a Swiss bank to convince their Head of Communications to embrace the opportunity to do a case study with him. Munif, originally from the Pacific Islands, now living in Sydney Australia, is of great support to him. He has nearly a decade
of international consulting experience, building on a very successful corporate career both in Europe and Australia.

Munif: Fred, they are afraid of potential risks involved and what might be exposed of them. It is important that the communication folks understand that nothing will be published without their prior approval. Is there a way that you can have a direct connection with these guys, even if just by phone or Skype?

Munif himself is very familiar with the challenges of long-distance consulting. All of the companies he is working with are located in Denmark – ten time zones away. He has just co-authored an important document commissioned by the Danish government that envisions the inclusion of externalities in corporate accounting – the topic of passion for Munif. He is in a good space right now as this report provides not only him with additional exposure and credibility but also serves as an accelerator of his cause.

Fred: That’s a great idea, Munif, I’ll see if I can directly talk to the communications folks and find out what their issues are. Congratulations, by the way, on your report. I am really impressed. Have you thought about how you can use it as a lever for your discussions with your companies? Have they read it yet?

Gulen, who commutes between Romania (work), Turkey (family), and the UK (research) joins in: ‘Munif, great job on the report – really, hats off!’ She is passionate about the well-being or social aspect of sustainability and is working with three leading hotel groups in the UK and Scandinavia to identify how to embrace well-being more fully in the hospitality industry. Munif:

Gulen rarely asks for advice, she really knows what she is doing and is very well organized. She nonetheless enjoys being able to share her progress with her colleagues. Putting ideas into words and speaking them out loud has helped her tremendously to gain clarity.

Reflexivity is a key and choice point in doing good action research. Not only Gulen, but also Fred and Munif are learning to appreciate the friendship that has developed between them, but also that their peer learning is an opportunity to continuously re-clarify their own roles, the context, and the underlying reason for their involvement with the companies that have engaged in action research with them. Their weekly call is one example of what allows them to take a self-critical stance and to see how their perspective limits or contributes to the creation of knowledge. It is also augmented by coaching from their faculty team as well as the use of the Global Leadership Profile to develop self-insight and aspirations with regard to first person action research.

THE SEVEN CHOICE POINTS OF ACTION RESEARCH QUALITY

Using the structure of the seven quality choice points of action research (Bradbury-Huang, 2013), we highlighted a wide range of applications for action research (see Table 33.1). At BSL, we have used the action research methodology as a philosophy of co-creation at all levels: at the strategic level of BSL (p. 353), as an organizational tool for transformation (p. 355), as a means to co-create new forms of education (p. 356) as well as new forms of research (p. 358), to ultimately support the Collaboratory idea which serves as a means to engage in resolving societal issues by combining a stakeholder engagement process with action learning and action research (p. 359).

We may well only have seen the tip of the iceberg in the endless opportunities of applying action research as a driver for future-relevant transformation at all levels.
of change: the individual, the organizational, and the societal level. Further research is required to explore this emerging field of broad application of action research and we welcome contributions, testimonials, and ideas of how to advance further.

REFERENCES


Table 33.1 Connecting sections with action research choice points

<table>
<thead>
<tr>
<th>#</th>
<th>Sub-section</th>
<th>AR choice point</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Broadening the use of action research</td>
<td>Articulation of objectives</td>
</tr>
<tr>
<td>2</td>
<td>Turning BSL into a platform of co-creation</td>
<td>Partnership and participation</td>
</tr>
<tr>
<td>3</td>
<td>Creating a larger vision</td>
<td>Significance and sustainability</td>
</tr>
<tr>
<td>4</td>
<td>Co-creating future-relevant education</td>
<td>Actionability</td>
</tr>
<tr>
<td>5</td>
<td>Co-creating future-relevant research</td>
<td>Appropriate methods and process</td>
</tr>
<tr>
<td>6</td>
<td>Co-creating future-relevant societal engagement</td>
<td>Contribution to AR theory-practice</td>
</tr>
<tr>
<td>7</td>
<td>Sharing learning among students</td>
<td>Reflexivity</td>
</tr>
</tbody>
</table>
CHAPTER 4

THE COMMON TRANSFORMATIVE SPACE OF SUSTAINABILITY AND RESPONSIBILITY

9. 50+20 – A vision for Management Education (Muff, Katrin), in: Global Focus, issue 3, 2012


CHAPTER 4:

THE COMMON TRANSFORMATIVE SPACE OF SUSTAINABILITY AND RESPONSIBILITY

This last chapter is a compilation of a selective number of articles and essays that were written to understand the requirements, benefits, framework conditions and enablers for creating and holding a space where individual and organizational transformation meets and connects to a larger societal issue. Section 3, 4 and 5 in chapter 1 provides the context for this chapter here, developing the value and need for a common transformative space as well as a model outlining the idea and attempting to measure potential outcomes of such spaces through the research we are conducting on the collaboratory work at the University of St. Gallen. This chapter’s contribution lies in its ability to deepen the conversation and provide the depth of insight required to better understand such a possibly lofty-at-first-sight concept as a ‘common transformative space’.

Sustainability and responsibility are at the heart of the debate in universities today that are looking at how to prepare themselves and their students for the future. Both domains turn educational paradigms upside down: sustainability is per se a multi-disciplinary field challenging the traditional discipline-based teaching approach. A purpose-oriented approach towards organizational leadership on the other hand demands an experimental, whole-person learning pedagogy that challenges the current knowledge-transfer focused teaching. If the two fields are furthermore interconnected, we are looking at nothing less than a revolution in higher education, as has been suggested by a radically new vision of business schools, entitled '50+20 - management education for the world' (Muff et al, 2013). Vision 50+20 is a call for the urgent need to reform our educational institutions along a tradition of educational radicals. We need to find ways to shift beyond right/wrong thinking that has defined knowledge transfer in the past and embrace the fact that current and future problems are mostly dilemmas. Dilemmas pose significant tensions requiring us to shift from either/or to both/and thinking. As educators we fail if our graduates leave our institutions with a false sense of certainty, believing that they have all the right answers. Our responsibility is much rather to expose our students to various alternative
options, to train them in systemic and holistic thinking, and equip them with the ability to make value-based decisions in situations which are full of dilemma and tension. This includes the ability to re-evaluate decisions once unintended consequences emerge. ‘Decide-act-stop-reflect’ has become a relevant strategy approach age as suggested in the strategy-as-practice approach (Pettigrew 1985, Johnson 1987). Only a few decades ago, the future was assumed to be a predictable consequence of the past (with research methods fitting this thinking). Today, we realize it is to a much larger degree defined in the present moment. In this largely ignored space of the ‘here and now’ we are challenged to sense (implying the use of more than just our analytical mind) where the future might be. And this will require different forms of research as well.

“50+20 – A vision for Management Education” is a short summary of a book with a similar title I have co-written and edited together with Thomas Dyllick, Mark Drewell, John North and Jonas Haertle. I have selected the article for copyright issues we have with the book and to clarify authorship. The article in no way replaces the book which is considered a serious contribution to the matter. 50+20 is an attempt by a global group of concerned business school stakeholders to come up with a radically new vision for business schools, suggesting that they should become custodians of society and measure their relevance and impact in new ways. The three suggested roles of management education (business schools and beyond) include a) educating globally responsible leaders, b) enabling business organizations to serve the common good and c) engaging in the transformation of business and the economy. For each of these roles, we have identified three key enablers, personal development being of critical essence in the field of education. Enabling companies to become sustainable and supporting this transformation with relevant, future-oriented research reflects the size of the challenge of management research. Last but not least, creating a space for stakeholders to meet and solve burning societal issues is key in the third role. The ‘Collaboratory’ philosophy and methodology was developed in view of these insights, challenges and requirements and is itself built on a large variety of methods and approaches. The article was published in Global Focus of EFMD.

The following four articles are chapter contributions to the book ‘The Collaboratory – a co-create stakeholder process for solving complex issues’
published by Greenleaf Publishing, which I have edited and which really represents a global team-effort. It was created out of the need to have better documentation about the process as global demand for using the methodology grew beyond our ability to appropriately support it. The book consists of three parts: part 1 outlines the various methodologies and philosophies that are underlying the ‘Collaboratory’ idea. Part 2 is a collection of applications and examples of how the ‘Collaboratory’ can be used, from business, to civil society to education. Part 3 offers hands-on support for those interested in creating their own co-creative multi-stakeholder process and closes with a descriptive narrative that was probably the most challenging writing I have mustered to date.

“Defining the collaboratory” is the introductory chapter in the book and seeks to outline in as clear terms as possible what a ‘Collaboratory’ is and what elements define the collaboratory. In particular, it mentions the circle work and related methodologies traditionally used by indigenous people. More than anything, the article seeks to show how open and adaptive any approach to such a process should really be.

“The collaboratory methodology at the RIO+20 conference” is a further foundational chapter that is used in part 1 of the book to outline our initial thoughts and considerations for the process which was developed to reflect our ambition and vision of the 50+20 project we brought to Rio in June 2012. Showing up with benches made by artists from around the world built from recycled and reclaimed material, we introduced the pop-up business school idea to the conference as we walked around town and public conference spaces, ready to place the benches in a circle and start a stakeholder engagement process wherever an opportunity arose\(^2\). The article was written as guidance for three facilitators who moderated three ‘Collaboratories’ for approximately 50 persons each in the high-level Business for Action sessions comprising more than 1000 global leaders in a joint event organized by the U.N. Global Compact, the World Business Council for Sustainable Development and the International Chamber of Commerce. The outline can be considered a real-

\(^2\) There are a number of documentary films of our activities in Rio that can be seen here: [http://50plus20.org/documentary](http://50plus20.org/documentary)
life description that has shaped much around the ‘Collaboratory’ in the follow-on years.

“Students leading collaboratories” is a chapter co-authored with Thomas Dyllick and reflects on the most ambitious currently ongoing ‘Collaboratory’ project I know of. A 13-week Master-level course at the University of St. Gallen is built on the ‘Collaboratory’ methodology and features a specially adapted design that enables students to independently run the stakeholder engagement process and can therefore develop a series of responsible leadership skills that we are measuring using the Responsible Leadership Grid developed by Liechti introduced in chapter 1. Our data collection process keeps developing and will hopefully allow further conclusions in the coming years.

Last but not least, “designing a collaboratory – a narrative roadmap” is the concluding chapter of the ‘Collaboratory’ book outlining in great details the precise preparation, execution, adaptation and improvisation of a stakeholder engagement process. It describes a session that did not go particularly well, yet in the end still exceeded expectations. The chapter investigates the reasons for this and makes assumptions as to why the accumulative effect of the various underlying methodologies and approaches result in a successful outcome despite obvious shortcomings along the way. It is a hopeful ending to both the ‘Collaboratory’ book and to this thesis, and with it comes the wish for further research in this thought provoking field of work that we are only starting to shed a just a little bit of light on.
CAN BUSINESS SCHOOLS PRESENT A NEW VISION OF MANAGEMENT EDUCATION FOR THE WORLD?

KATRIN MUFF BELIEVES THAT THROUGH THE 50+20 INITIATIVE THEY CAN OFFER A CLEAR VISION.
The World Business School Council of Sustainable Business (WBSCSB, www.wbscsb.com) was founded at the Academy of Management in August 2010 as a think tank. We intended it to serve as a platform for action to ensure the engagement of the business school community in the public discourse of transforming business and the economy towards a sustainable and just world.

In November 2010, when WBSCSB representatives met with the head of the United National (UN) Global Compact in New York, the failure of the Rio+20 conference was widely anticipated.

There was concern about facing another Copenhagen. It would be up to civil society and business to try to save the day. But how? The UN was looking for glimmers of hope. WBSCSB promised it would do the (almost) impossible and develop a radically new vision for management education in the 18 months until Rio 2012. We felt that maybe, just maybe, business educators could rise to the occasion and offer a meaningful contribution to a 20th anniversary of the Rio Earth Summit.

Back in 1992 that Rio summit had put sustainable development firmly on the global agenda. But while individual scholars have been active since, business schools as a community have failed to take part in the related public dialogue and change process. We felt the time was ripe to shift gear.

In January 2011, WBSCSB joined forces with the Globally Responsible Leadership Initiative (GRLI) and the UN-backed Principles of Management Education (PRME) and launched the 50+20 collaboration – 50 because the future of management education was last significantly examined 50 years ago with the Ford and Carnegie reports and +20 for the two decades since the Rio summit. (See more on who and what 50+20 is on www.50plus20.org or page 3 of the 50+20 agenda, www.50plus20.org/5020-agenda.)

But how does one go about creating a process and a journey that delivers a radically new vision as an end result? The following guiding principles helped:

**A radical vision:** our aim was to set a vision that would serve as a lighthouse for the coming two decades, a vision that can be used as a reference to determine whether we are on the right path rather than a model of incremental improvements starting from our current reality

**Identifying paradigm shifts:** a radical new vision assumes underlying paradigm shifts. These need to be both clearly articulated and placed in a larger interconnected context (a new kind of a world and society, a new role for business, and a transformation of the economic system)

**Enabling the vision:** developing a new vision requires both insight into the future as well as understanding the challenges of the past and present. Visioning exercises and analysis were used in a complementary manner in five global sessions during 14 months involving more than 100 contributors

**Inclusive approach:** it is unlikely that we (scholars, deans and directors) were going to develop something radically new. We had to involve concerned members of the larger community of business and management education (parents, students, alumni, business, NGOs, coaches and trainers, consultants, representatives of the planet and so on)

**Clarity of the audience:** rather than trying to convince those who believe that the current ways and means are by and large OK, we decided to write a supporting and inspiring document for a strong minority that understands that our current system is based on flawed assumptions
Such a radical vision has built-in advantages and disadvantages. While it potentially offers a clear direction to pursue, it does not necessarily offer concrete solutions on how to get there. The challenge lies in overcoming the implementation gap. Once we had a good sense of the vision, we started embracing this implementation challenge.

Early on, and in the hope of sparking a dialogue, we established lists of concrete recommendations for all key stakeholder groups: the full range of providers of management education, clients and buyers such as business leaders and potential students, funders including policy makers, and influencers such as media, ranking and rating agencies, and accreditation bodies.

These discussions led us to understand the paramount importance of proposing a process of engagement rather than ready-made solutions. (The gap analysis is outlined in figure 5 on page 27 of the 50+20 agenda, [www.50plus20.org/5020-agenda](http://www.50plus20.org/5020-agenda).) Some institutions may opt for a “tip toe” approach, testing the waters by implementing some suitable elements of the visions into an existing programme or structure. Other will opt for a “deep dive”, a full organisational commitment by making the vision the fundamental basis for engagement in the fields of management education. Some activities will focus on removing existing barriers first, while others may be oriented towards enabling innovative new solutions.

To enable institutional change, we propose a simple gap analysis and as an accompanying process the methodology of the “collaboratory” (an open space for learning and research). This will ensure inclusion of stakeholders and the creation of a learning community committed to develop and co-create solutions that drive implementation.

The 50+20 vision represents a call to service and is embodied in the ability of holding and creating a space to provide responsible leadership for the world. The collaboratory reflects this intention.

Beyond institutional change, there are a number of broader challenges that concern the entire sector. We have identified six areas of priority (more details in Figure 6 on page 31 of the 50+20 agenda, [www.50plus20.org/5020-agenda](http://www.50plus20.org/5020-agenda)) for implementation – these represent the key levers of change:

1. Faculty training and development [programmes for existing faculty as well as new PhD and DBA students, seconding faculty into activities that are important for society, pairing academic faculty with teachers of a professional background for new student learning environments]

2. Creating prototypes of the vision [secure funding for a number of new business schools to showcase the vision, launching “pop-up” business schools in emerging and developing countries, creating regional or issue-centred “collaboratories”]

3. Orienting research towards the common good [focus on inter- and trans-disciplinary, future-oriented research, creating leadership sanctuaries]

4. New measures for management education [a stakeholder-managed tool to rank business schools, developing criteria for assessing the contribution of research to society, new evaluation criteria for faculty]

5. Celebrating excellence [creating awards related to the enablers of the vision, celebrating the social engagement of faculty]

6. Professionalising the management of schools [executive development of existing administrative leaders so that they and their institutions can serve as role models].

“These discussions led us to understand the paramount importance of proposing a process of engagement rather than ready-made solutions.”
So what is the 50+20 vision all about? We envision three new roles for management education.

First, we refocus education to ensure that we educate and develop globally responsible leaders.

Second, we transform research into an applied field, with the clear purpose of enabling business organisations to serve the common good.

Third, we add a new role for management educators to engage in the transformation of business and the economy by joining the ongoing public debate. As such, our vision is represented by the philosophy of a collaboratory – an open space for learning and research for stakeholders.

Broadening the skills, experiences and competencies of faculty represents the single biggest lever in achieving the 50+20 vision. A number of competencies are currently significantly under-represented in business education. In ascending order of complexity they are:

- Interdisciplinary business knowledge across all subject disciplines, matched with knowledge of ethics, entrepreneurship, leadership, sustainability and technology
- A concern for broad, up-to-date, trans-disciplinary knowledge
- Exposure to emerging practices and tools for measuring and evaluating economic, environmental and social concerns across all fields of business
- Mastery of systemic thinking and risk analysis together with other approaches that enable holistic decision making in a fast-changing environment
- Expertise in the methodologies of action learning and the creation of effective action learning platforms as well as whole-person learning and person-centred learning
- Advanced facilitation, coaching and mentoring skills to complement traditional lectures

We anticipate a far greater diversity of educators and researchers, including discipline-oriented, trans-disciplinary, collaborative and practice-oriented faculty. In future, collaboration across disciplines and different occupations and life-styles will become the rule rather than the exception.

Compensation, selection and promotion schemes for both education and research faculty will grow to reflect these requirements in a stimulating and transparent manner.

You are invited to come and join us in the implementation, which we will set up as a real-life learning laboratory open for co-learners and creators. And, hopefully, we will hear from many other initiatives starting around the world. Success to us at 50+20 is as many people as possible adopting and implementing the vision in their own ways.

So, have we achieved our mission in Rio? Our initiative quite obviously touched the participants at the PRME Global Forum and those who took part in the three parallel "collaboratory" on hunger, gender issues and anti-corruption we ran together with the related PRME working groups for the UN Global Compact Global Sustainability Forum. And our circular benches installation was quite an attraction at the People’s Summit.

Yet, it remains to be seen if what we did was more than a storm in a teacup. What matters is what happens next. Join us in shaping a world worth living in and begin by investing eight minutes to watch the film: www.50plus20.org/film.

The six key levers of change are:
- Faculty training
- Creating prototypes
- Orientating research
- New measures
- Celebrating excellence
- Professionalising

ABOUT THE AUTHOR
Dr Katrin Muff is Dean and Programme Director for the DBA and Diploma in Sustainable Business of Business School Lausanne, and University St Gallen Switzerland. katrin.muff@bsl-lausanne.ch

50+20 offers a clear vision by Katrin Muff
1
Defining the collaboratory

Katrin Muff
Business School Lausanne, Switzerland

This chapter sets the stage for the book by providing the context. We uncover where the term emerged for us, what it means to us and what ambitions we connect to it. We also look at the magic space of the circle and its importance in collaborative work.

The collaboratory idea stems from the visioning work of a large group initiative including scholars, artists, consultants, students, activists, and other professionals who worked together on the 50+20 vision (www.50plus20.org), of which I had the privilege to be a part. The 50+20 Initiative set out to develop a radically new vision for how business schools can transform to become custodians of society. While a deep sense of the vision emerged during our own deep dive visioning process in a dance studio in New York in 2011, it took us about nine months (!) to find the words, metaphors, and images to describe what we had felt, sensed, and seen with our inner eyes. In hindsight, we realized that the 18-month process was what we ended up calling a “collaboratory.”

The “collaboratory”—a blended word that emerged in our very first visioning session in New York—emerged as the centerpiece of the very vision we sought to create. The word fuses two elements: “collaboration” and “laboratory,” suggesting that we are building a space where
we explore collaborative innovations. The laboratory also nicely implies a notion of exploration and experimentation, thus staying clear of the notion of perfection or standardization.

The philosophy of the collaboratory involves a facilitated circular space that is open to stakeholders to meet and discuss burning societal issues. It is an open space for all stakeholders where action learning and action research join forces, and students, educators, and researchers work with members of all facets of society to address current dilemmas. A collaboratory focuses on visceral real-life issues and provides solutions that are driven by issues, not by theory. Participants in a collaboratory employ problem-solving tools and processes that are iterative and emergent. Emerging solutions are directly tested and amended while supporting both knowledge production and diffusion, which occur in parallel.

In the 50+20 vision we talk about the business school itself becoming a role model. Imagine an open space accessible to everybody—no more silos, no more elitism, no separation between research and practice, and issue-centered learning—where students work side by side with researchers and societal stakeholders. We talk about a facilitated space that could be created anywhere. Hence our idea of the “pop-up business school” in developing countries. To us, business schools should serve the people and the world as “custodians of society.”

Our understanding of the term “collaboratory”

A collaboratory is a facilitated space open to everybody, and in particular to concerned stakeholders, to meet on an equal basis to co-create new solutions for societal, environmental or economic issues by drawing on the emergent future. It is a place where people can think, work, and learn together to invent their common futures.

The philosophy of the collaboratory revolves around an inclusive learning environment where action learning and action research meet and where the formal separation of knowledge production and knowledge transfer dissolves.
In our dreams, the collaboratory becomes the preferred meeting place for citizens to jointly question, discuss, and construct new ideas and approaches to resolving sustainability challenges on a local, regional, and global level.

Each collaboratory is different and needs to be carefully designed to fit the context, ambition, and purpose, the stakeholders, culture, setting, and anticipated duration of the space given to address an issue. Ideally, collaboratories are ongoing and evolving processes of a defined duration. They may, however, also be used as single sessions in settings where stakeholders want to consider future-inspired solutions that are both deeper and more collaborative than a normal debate or discussion.

For creating and holding such a space facilitation is of critical importance. The term “holding a space” is deeply grounded in our human heritage. It is, for example, considered an important duty of the elders in many indigenous peoples (see Chapter 9 for more on this). A much ignored and little discussed aspect of the collaboratory is the magic of the circle.

The magic of the circle

A group sitting in a circle is able to hold entirely different discussions from a group sitting around a conference table, behind tables, in a square or rectangle or in different rows in a classroom. Even the semi-circular amphitheatre arrangement used in teaching and executive training settings featuring consecutive rows oriented towards a lower central stage that features a screen and the faculty falls into this category of suboptimal solutions.

Circular talks are age-old traditions in many if not all indigenous traditions around the world. A circle ensures that all members are considered as equals. Everybody has the same position and everybody sees everybody else. In many traditions, circles had centers—and the center held the intention of the circle. In some traditions this center is a fire, which holds a specific symbolism. Today, the centers of circles are often decorated in order to create an energetic foundation for the conversation to take place. Kay Pranis (2005) has highlighted six structural elements indigenous people put in place to ensure that circular talks can
be used as peacemaking instruments: ceremony, talking piece, guidelines, storytelling, keeper/facilitator, and consensus decision-making. She reminds us of the importance of using ceremony in opening and closing a circle to hold the intention that always reaches beyond the issue at hand to honor the connection to a deeper value of a circle for the benefit of humanity. Indigenous people have felt and honored this connection as an integral part of their understanding of themselves as a part of nature.

In their Earth Wisdom Teachings, the elders of the Native Americans talk of the Children’s Fire. This fire is a reminder of the promise: “No law, no action of any kind, shall be taken that will harm the children” (Tim “Mac” Macartney, “The Children’s Fire”).

In my engagement in an emerging political party and societal movement in Switzerland, I have learned that every single discussion at any level of the organization has great benefits when held in a circle. From the smallest sessions of three to five persons to our annual meeting of several hundreds, we always sit in circles. And there is always one specific person responsible for “taking care of the center,” by bringing flowers, a candle, or some other symbol and laying it out prior to a session. In that movement, this is one of many very deliberately chosen symbolic traditions to mark a different space. I have personally hesitated to apply this to my various professional settings, but I am sure one day I will have the courage to experiment with this. It is, after all, visually and emotionally pleasing to have a beautiful arrangement to look at when sitting in a circle. Feng Shui, considered as one of the Chinese metaphysics, looks at space in metaphoric terms and considers invisible forces, known as “chi,” that exist between an individual, the planet Earth, and the universe. In its practices, the centre of any space is considered sacred and is deliberately left unconstructed.

It took us a while to realize how central the circle had become to our visionary work in the 50+20 project. The few of us engaged with facilitation of the various events had, naturally, always insisted on using the

circle as the basic setting of any discussion. As a group, however, we did not consciously reflect on this until about halfway into the process. During our 50+20 visionary work, the importance of the circle and the wisdom related to creating and holding a space emerged only over time to us. The circle represented the foundation of all of our creative work and of the many tools connected to such work including Open Space Technology, Appreciative Inquiry, Theory U and whole person learning. We applied a variety of existing methods and tools to our own co-creative process and realized only slowly that the true innovation of a new kind of management education lies in the very fact of how differently such conversations are held and to what different results these can lead. If we had not aspired to achieve the impossible and to co-create a radically new vision for business schools, we certainly would not have relied on such exotic methods and tools to get there.

The circle has become an implicit element of many modern group processes and co-creative innovation. Good examples for this are World Café, community-building, Open Space, Art of Hosting, whole person learning and “quiet time” in Caux, as demonstrated in many examples throughout this book. As Christina Baldwin (Baldwin and Linnea 2010) in The Circle Way says, “Meetings in the round have become the preferred tool for moving individual commitment into group action.” It is, by the way, an excellent source for more insight and inspiration on how to effectively structure a circle discussion and to develop new collaborative solutions. The collaboratory is also one of many emerging forms in the “social labs” as defined by Zaid Hassan in Chapter 3 of this book. And, without doubt, there are many other equally important approaches that we are not aware of and we hope that many more will emerge as we move forward.

References


To complete Part 1 of this book we will look at a concrete example of a collaboratory to help the reader to get a better picture of what a collaboratory looks like in practice. A more detailed example is provided in Chapter 22.

This chapter offers insight into an example of how we briefed the facilitators of three parallel collaboratories for a three-hour session at the UN Rio+20 conference. We engaged with a variety of stakeholders during the business sessions organized by the UN Global Compact and created three collaboratories on the following big global issues: poverty, gender conflicts, and corruption. Roughly 30–40 people participated in each of the three collaboratories, which were facilitated individually according to the following guidelines.
A methodology and approach for short one-time sessions

The philosophy of the collaboratory forms the key feature of the 50+20 vision and involves a circular space that is open to concerned stakeholders to meet on equal terms for any given transdisciplinary issue. As such, it represents an open-source metaspace: a facilitated platform based on open space and consciousness-building technologies. A collaboratory is conducted without formal separation between knowledge production and knowledge transfer. It focuses on burning real-life issues and seeks to develop solutions in a process of engagement that is driven by challenges, not theory.

While such a process typically spans a series of collaborative sessions over a period of time, it is also possible to run a single one-off collaboratory session, here used as a real-life demonstration of our emerging philosophy. A simple script is provided for one type of collaborative session that can be used by experienced coaches and facilitators. Clearly, each moderator is invited and required to use his or her own open space and consciousness-building methods and tools. Each session is unique and demands skillful and adaptive facilitation, which is, after all, more of an art than a science. I would strongly recommend that each collaboratory be co-designed (see Chapter 22 for more details).

The **basic set-up** of any collaboratory is *always* circular, with an inner circle of 4–8 people (the number depends on the total time available; the less time, the smaller the number) representing the key stakeholder perspectives of the issue to be addressed. This inner circle is embedded within an outer circle of an active audience of stakeholders who are interested and ready to contribute to the discussion and reflection. While the inner circle should be seated (ideally on benches), the outer circle can be either seated or standing. The shorter the session, the better the standing option works.

This script is not meant to be shared with the stakeholders invited to form the inner circle. They may feel quite overwhelmed by this phased approach. In Box 4.1 you will find a brief description that can be sent around to them in order to invite them to your session.

Irrespective of the length of the session, we suggest splitting the time into the following **three phases**, each using approximately the same
amount of time. Please pay particular attention to your time management—there is nothing worse than getting stuck in one of the phases or not being able to complete the entire process (as this is a real challenge you may want to assign a timekeeper to assist you).

Phase 1: Understanding the different perspectives of the experts involved

Step 1
Each stakeholder in the inner circle (a fishbowl) is invited to express his or her perspective and understanding of the issue including the concerns, challenges, forgotten issues, unforeseen risks, long-term consequences, and considerations that need particular attention given the complex and transdisciplinary nature of the issue at hand.

Suggested method. It is helpful to use the talking-stick approach to slow down and deepen the discussion. Place an object (a stick or a stone) in the centre of the inner circle and explain to all participants that the discussion is led by the wisdom of the stone, which holds the capacity to listen in silence. Somebody wishing to speak picks up the stone and holds it while speaking from his or her seat. Once finished, the stone is put back. Nobody is allowed to interrupt a speaker holding the stone—this avoids mental interferences and unreflected debates. Please also mention that the stone likes to lie still for a moment after being placed back in the centre to digest what has been said. The facilitator intervenes sharply if these rules are not respected. Usually, only a couple of such interventions are needed before the group settles and the process starts.

Step 2
Once all experts and stakeholders have expressed themselves, the facilitator opens the inner circle to invite other participants in the outer circle to join the inner circle to further expose the issue at hand. This is an important step and facilitators should encourage new voices to be heard to ensure inclusiveness with those present.

Suggested method. Depending on the set-up, there are different options to include participants from the outer circle to join the discussion. You can either place an empty chair in the inner circle that can be filled by anybody who has something important to add to the dialogue (the best
The Collaboratory

option if time and set-up options are limited). It is most practical for the new person to touch the shoulder of an expert to make him or her vacate the seat for the new person. Alternatively, if you use two-seater benches, a person from the outer circle can sit next to a person in the inner circle they would like to replace. Original stakeholders leave the benches as soon as somebody sits down beside them. If they are speaking, they will first finish what they want to say. A last option is to place an empty chair behind each chair of the inner circle. A participant from the outer circle chooses which stakeholder to sit behind and asks to change seats by touching the stakeholder’s shoulder. Experts from the inner circle may also choose to vacate their seats at their own choice.

Phase 2: Imagining a new common vision

Step 1

Here, the energy shifts from collecting different perspectives to understand the issue at hand from all its many transdisciplinary perspectives, to imagining a systemic and holistic understanding that reflects the common consciousness of all people present (irrespective of whether they have expressed themselves or not). It is important to announce that nobody should leave the room in the next 10–15 minutes and that everybody’s active engagement is needed for this phase. The objective of this phase is to let a holistic solution or resolution of the issue emerge from the collective visioning process.

There are different ways to call on the group consciousness and this is the phase that will be most demanding for a facilitator or coach. A coach is trained in creating and holding a space for the highest potential of the moment to emerge. Please feel free to use your own method and approach—this must work for you. Allowing you to be authentic and whole is critical for the success of this phase. Have trust in yourself and in the power of the moment. Personally, I like to use an abbreviated version of Otto Scharmer’s Theory U process (see Chapter 12).

Suggested method. Always begin with a moment of silence as a way to shift from Phase 1 to Phase 2. Invite all present to take a deep breath and to close their eyes if they are comfortable doing so. Bring them into their bodies (breathing is easiest) and talk them through their thoughts and emotions that have been stirred up in Phase 1. Have them feel these
in their bodies by inviting them to observe what changes they notice in their bodies as they let go of their thoughts and emotions. Prepare a story line of what the world would look like if the issue at hand was resolved (e.g. “Imagine a day in your future life when …”) Set the stage by inviting everybody to imagine that together the wisdom of the crowd holds the seeds of the solution, and that this can be expressed or experienced by seeing images, hearing sounds or getting other inspirations from their broader senses—beyond thought and emotions.

**Step 2**

With a quiet voice and attitude, collect the images and impressions that have emerged from the group. Start first with the inner circle before inviting the outer circle to make their contribution with additional relevant input. Draw attention to the fact that most often a common theme or picture emerges, almost as a story that is told by all those present. Have somebody record the images on a flipchart. To close this phase, summarize what has been shared by picturing the image or theme that emerges from the stories told. Take notes or make pictures. This is fascinating work; something profoundly new and visionary nearly always emerges. If nothing comes up, simply summarize the key points that seem intuitively important to you.

**Suggested method.** Your facilitation is needed to ensure that contributors do not get into their headspace or share intellectual pre-thought solutions. While this can hardly be avoided, you need to reframe the inputs carefully. You want their impressions, not their analyses. Depending on your energy and how you hold the space, you may no longer need the talking stick. Again, trust the moment.

**Phase 3: Developing prototypes for immediate action**

**Step 1**

Another energy shift occurs as we emerge from Phase 2. We move from the space of deep reflection (group consciousness, if you want) to concrete action. The critical difference in our approach is that actions that emerge are inspired from a deeper place, rather than being simple intellectual or emotional reflections. Having attempted to identify the common vision, the ideal state of the issue at hand being actually resolved,
and having gained a first glimpse at a new image, theme or story, the emerging actions are often fundamentally new. These actions emerge from the future from the imagined ideal state and are fundamentally different in nature from current solutions that emerged from having analyzed the problem in all of its sub-elements. Acting from the emerging future is quite different from our usual practice of acting from the past. You may want to make this difference clear.

Suggested method. Depending on time and how you sense the group, you can use the inner circle as a creative space for anybody creative or innovative with ideas to share. The method here is creative brainstorming where you ask two people from the outer circle (who you have ideally informed in advance) to note down any emerging ideas of concrete action from the audience that can be initiated right here and now, or in the coming month at the latest (ideally such actions are initiated at the event). The rule of the game is that nobody is allowed to comment on or question an idea. After a quick round, have all the ideas read aloud and have a third person write down particularly strong ideas where you can sense the most energy of the group. Feel free to use any method that works for you to narrow down the list on a maximum of three to five items. Make sure you include items that have local relevance and also at least one item that seeks a global solution.

Step 2
There are many different ways to obtain concrete outcomes: (a) you may want each participant to identify one concrete action to be undertaken and report it back to the group in the last step; (b) you may want a subgroup to engage in a concrete step towards a joint project; or (c) you may want the majority or entire group to agree to a joint next step, meeting, etc. This largely depends on the total time you have at hand for the collaboratory session (individual action is ideal for short sessions). If time permits, you need to identify people (names and contact details) with energy to work on the three to five items identified. Ensure that there are at least three people per item. Have each of them express in one sentence (strictly due to time) why he or she wants to do it and do it now. Ensure that the three people have a working space to sit together immediately after the end of this session. Identify one person who will report back to you within four to six days with concrete next steps.
Suggested method. Whatever works for you. This is basic project management and facilitation. Close the session with something of significance before the circle dissolves: a poem, a citation, your impressions or the impressions of anybody else among the participants. Thank all participants for their trust and confidence.

Box 4.1 Script to invite selected thought leaders who form the inner circle of the discussion

Dear thought leader,

It is a pleasure to invite you to take part in a collaboratory session that takes .... hours and is divided into three phases:

• In Phase 1 you will share your perspective of the issue at hand and will listen to others express theirs. We will facilitate the process so that nobody interrupts another, ensuring an open and respectful atmosphere. It may happen that you will be asked to leave the inner circle once you have expressed yourself, giving another stakeholder an option to present his or her perspective.

• In Phase 2 we will jointly work toward a common perspective that is new and emerges from the group. All you will have to do is to let go of your pre-conceived notions and join our journey of discovery.

• In Phase 3 the group (including all participants) will work toward concrete actions that can be prototyped, tested, and potentially implemented immediately.

Come with an open mind and heart, and be prepared for a fun and deep session that hopefully sheds new light on how we can embrace this issue we all care so much about, together. I am at your disposal for further questions and very much look forward to working with you.
15 Students leading collaboratories

University of St. Gallen

Thomas Dyllick
Institute for Economy and the Environment, University of St. Gallen, Switzerland

Katrin Muff
Business School Lausanne, Switzerland

This chapter looks at a full-fledged application of the 50+20 collaboratory as invented for Rio+20 and including a step-by-step approach through the entire process in all detail in order to be applied to other applications within a university, business or community situation.

Besides this useful step-by-step approach, another interesting element of this example is that it shows how to involve a large number of stakeholders in the facilitation of collaboratory events (in this case students). This may be of interest for collaboratories where it is important to assure a deep involvement of stakeholders.

The collaboratory described below took place in the semester-long master’s specialization course “Strategies for Sustainable Development” at the University of St. Gallen and was co-created by the two authors.¹

¹ The course syllabus can be downloaded from: http://www.iwoe.unisg.ch/~link.aspx?_id=ED3FE263734D445C9AA23754FD114755&_z=z, accessed 6 April 2014.
Context and overall objectives

At the University of St. Gallen we used the Collaboratory as the guiding principle and method for a 12-week master’s course “Strategies for Sustainable Development” for the first time in Spring 2013. It sought to address and resolve three critical sustainability issues on a local level (creating a breakthrough for climate-friendly food, promoting the bicycle as a viable mobility alternative in the city of St. Gallen and at the university, making tap water the favorite drink in Switzerland). Each issue was introduced in one session followed by two collaboratory sessions that took place every three weeks. The Collaboratory 1 uses all three phases of Scharmer’s Theory U (downloading, visioning, and prototyping) (Scharmer 2009). A crucial element of Theory U is the visioning process, as it directs the attention and intention from a past space of experience to a future space of possibility. The Collaboratory 2 shows an important continuation and deepening of the Collaboratory 1.

This chapter presents a detailed description of our Collaboratory approach and process for 50 students split into three groups of equal size. The Collaboratory can be run with much smaller groups making the organization easier. To illustrate the process we will provide detailed descriptions of the Collaboratories 1 and 2 and hint at some of the outcomes. We hope that our process, experience and learning serve as inspiration for others who wish to use the Collaboratory approach in an educational setting.

Collaboratories are live processes, which cannot be predicted or planned in all detail in advance. It is important to remain open and flexible. Being prepared extremely well is a pre-condition for being flexible. A collaboratory is a careful collective improvisation rather than a strict procedure. Being spontaneous and having fun is very important for a creative atmosphere. Everything will happen as it should—and you cannot do more than be well prepared. The organizing team will help each other spontaneously and support those in need of help or getting stuck.
Introductory session

The professor invites three subject-matter experts to introduce the topics and related challenges (climate-friendly food, bicycles and tap water) in an introductory session.

The invited experts included the CEO and founder of a start-up offering climate-friendly food services, the head of communications of the Swiss Association of Water Works, the Head of Slow Mobility of the City of St. Gallen and the Head of Infrastructure at University of St. Gallen. The tap water issue is used in the remainder of this chapter for illustration purposes.

The Q&A part of the introductory session is particularly important to reveal crucial issues related to the topic and stakeholders to be invited for the Collaboratory sessions. Each of the (three-hour) sessions is prepared, facilitated, and evaluated by the student team in charge of the topic.

In the follow-up to the Introductory Session a crucial task for the student group is to structure the issues and to invite stakeholders to the two Collaboratory sessions representing the real issues at stake. The depth and relevance of the debate, but also the degree of engagement of all participants are directly correlated with the presence of the relevant stakeholders.

In the tap water collaboratory, for example, the stakeholders present were the Head of Communication of the Swiss Association of Water Works, the General Secretary of the Swiss Association of the Mineral Water Industry, the Head of Quality Assurance of the St. Gallen Water Works, and the manager and cook of a popular St. Gallen restaurant.

Collaboratory 1

The objectives of the Collaboratory 1 are:

- Understanding the issue/challenge/problem and its context
- Developing a comprehensive overview of all perspectives concerning this issue
• Creating a group engagement process through the collective visioning process which sets the stage for overcoming polarities and opposing views through the emergence of a group consciousness and the embodied experience of all participants

• Further developing a vision of what the world would look like if the issue was resolved

• A first round of ideas of how we could make concrete steps in resolving the issue at hand (using the method of back-casting, e.g. starting with the future and working back to now)

• Providing a set of concrete “prototype” ideas that can be developed further in a next session

The net process time is designed to be completed within three hours (180 minutes). Additional time is required for set-up and clean-up (before and after). It is sensible to reserve a room for at least four hours. The Collaboratory 1 process is structured in six steps:

1. Set-up of room (for approximately 50 participants, student team)

The team in charge (a group of 15 students—there should be no less than five) prepares the room and ensures that all the required tools (talking stick: can be a microphone, a stone or something else) and support materials (phase 1–3 visuals, previously prepared) are brought to the location. Two students act as coordinators of the team throughout the different phases of the collaboratory.

Five or six chairs are placed in the middle of the room in a circle (one chair per expert, one student member from the group plus one empty chair). Around this inner circle two bigger circles of chairs are formed (in two rows); a gap is left at every four or five so that people can get to the inner circle without obstacles. Those gaps should be small enough, however, to create the overall picture of well-rounded outer circles.

Four flipcharts (with a lot of paper and colored pens) are placed behind the circles with four students placed next to them for taking notes.

In the middle of the inner circle a talking stick (or stone) is placed on the floor.

At the walls of the room, on flipchart paper (but not on the flipcharts themselves) the central question or issues discussed, the objectives of
the collaboratory and the Theory U process should be represented in a clearly visible form. They are prepared beforehand.

The professor is informed in advance who are the two coordinators, the note-takers, the team leaders and supporters (see step 5). It is crucial that the group organizes itself internally from the start and is fully aware of this challenge. They should come well prepared with clear responsibilities, with moderation guidelines and tools ready.

The student team had autonomously organized a blind tasting of tap water and a popular still mineral water, the results of which were presented during the introduction. Tap water turned out to be the preferred water.

2. Introduction (professor and coordinators: 15–25 min)

The session begins with a 5 min introduction into the collaboratory process by the professor. This is followed by a short introduction to each expert in the inner circle.

The group coordinators then present a succinct summary of the topic and the challenges to be addressed. This can be a short film, a summary, collection of points of view, or anything else that sets the stage for the following discussion (10–20 min maximum).

3. Downloading (professor and student team: 60–75 min)

The downloading step consists of two parts:

1. An exchange of the experts in the inner circle, whereby their different perspectives are presented and taken note of (“downloaded”). These perspectives are compared and discussed among the experts (some 40–50 min)

2. This is followed by a deliberate and active involvement of the participants in the outer circles, to gain further insights, questions and ideas, but also to draw as many participants as possible into the discussion (20–25 min)

The downloading is guided by the professor and documented by the student team. The coordinators guide the four writers at their flipcharts and are responsible for summarizing the key insights at the end of this
step. From this results a rich picture and deep understanding of the issues at stake and the positions of the different stakeholders. For the summary a separate flipchart paper should be used. The designated team leaders of step 5 (see below) take notes to make sure the results are well captured.

4. Visioning (professor: 30–40 min)
In the first part of step 4 (approx. 10 min) the professor guides the visioning process in which the participants get out of their heads and dive into a deeper level of the “group consciousness.” The objective is to change the inner space from the past to the future and to allow images of a future world to emerge in very concrete and specific ways, in which the issue at stake has been solved. It is important not to include leading assumptions in this process but to enable each and every participant to pursue his/her own personal visioning journey through the development of inner images, sounds, etc., which are anchored through physical experience (see Otto Scharmer’s Theory U).

The guided journey ran like this: “Imagine a world where tap water has become the new normal in St. Gallen and in Switzerland. Picture such a world. Let real situations of your world appear, with specific pictures, colorful images, moving pictures. Imagine what this world looks like when you are at home and drink something. What does it look like at breakfast, at lunch, at dinner? Maybe you have friends over at your place and go out for drinks later? What does your life at home look like? What strikes you as different? What does everybody drink? How do they drink it? How is it being served? Where is stored? Where does it come from? What does it look like? How does it feel? What do you see, hear or smell?

Now you go to school, on your regular route. Maybe you stop by at the café bar and get something to drink? What does it look like? In which way is it different? What do you drink? What do the others drink? Do they serve tap water? How is it being served? What does it cost? How popular is it? For lunch, maybe you go to the cafeteria. What does it look like there? What do you drink? What do the others drink? What role does tap water play?

On your way home you may stop at the supermarket or where you usually shop. You go the beverages section. What strikes you as different in this new world? What do the beverages look like? How are they being presented and marketed? Where do they come from? What do you buy? What do the others buy?
In the evening, imagine you go to a restaurant with friends. Imagine your favorite restaurant and look at the beverages listed in the menu. What is different in this new world? What do they offer? At what price? You order tap water. How does your server react? How do your friends react? How do they serve the drink? What does it taste like? How do you feel?

Back home you read the newspaper or watch the news. What do you note concerning beverages, water and tap water? What topics and issues are dominant? How do you react to them? Are you surprised about what you read? Why? What thoughts pass through your head?

Now we leave this future world where tap water has become the new normal and return to Switzerland, to St. Gallen and into our today’s world.

The visioning phase is critical to the whole process as the majority of the participants will not be familiar with and used to this kind of experience. Therefore, it should be facilitated by the person most comfortable with this, most likely the professor. It is important that there is total silence and that nobody moves around or leaves the room. All cellphones have to be turned off (it is probably better to mention this already at the beginning of the session). The members of the student team in charge take a seat and participate, too. The team discreetly helps to ensure the silence and concentration needed.

In the second part of step 4 (approx. 30 min) the visions and images of all participants are shared. This is done by handing over the talking stick from one participant to the next, so that everybody can share his or her vision. This is done by the person who conducted the visioning. Four team members document the contributions on flipcharts, supported by the two coordinators. The challenge is to ensure fast documentation (for example, by picking up one input after the other clockwise from one flipchart writer to the next). This process should be defined in advance, so that the documentation process does not need to be commented on publicly.

The coordinators’ task is to create a coherent vision of the colorful images, stories and impressions shared (not a very easy task). Therefore it may be useful to prepare a flipchart sheet that can be glued or written on. The designated group leaders of step 5 are taking notes to ensure continuity.
5. Harvesting (coordinators and group leaders: 30–40 min)

In step 5, the results of the visioning process are connected to the overall objectives of the collaboratory to define specific starting points for action (“harvesting”). All participants now split into groups of at most eight members, with each group being led by one team member with one additional team member taking notes. The coordinators ensure that all groups have about the same number of participants and that the stakeholders and experts are equally spread over the groups (the art lies in explaining this as simply as possible). Each new group forms a circle and sits around one of the flipcharts, situated in the corners of the room. The purpose of this phase is to collect first rough ideas for prototypes that will be worked out in Collaboratory 2.

Each group leader starts out by summarizing the vision as an experienced but relatively abstract image. It is recommended that the group leaders go to their flipcharts at the end of step 4 and write down the key issues that are summarized by the coordinators. After this, the key insights from the Introductory Session are brought up again. The group leaders may have prepared this on a flipchart or on a separate piece of paper. The crucial question in this phase is: What can the different stakeholders, including the students, do concretely in the next three months to work decisively and effectively towards the ideal vision?

Initially, it is recommended that everyone gets five minutes to reflect silently on this question. Then the brainstorming rules are applied: all ideas brought up are written down without comment (no criticism, no questioning). The group leader starts the brainstorming, moderates it lightly, ensures the overall timing, and ends with a short summary.

After some 20–30 minutes all participants take their chairs and return to the plenary: the chairs are returned to their original position in the big circle. The coordinators now moderate the discussion of the group leaders, who present the results of their respective brainstorming. The goal is to generate and record 10–20 key aspects or ideas as input for the Collaboratory 2. This also includes ideas regarding which stakeholders should be invited. These stakeholders will be selected and invited with a view to developing and implementing the emerging practice projects.
Main insights of the harvesting step included:

- Mineral water is perceived as a useful alternative to tap water, in particular in situations where tap water is not available/not suitable
- Tap water is already being offered in some restaurants, but the customers are typically not ready to pay for the service
- Availability of tap water is crucial for tap water consumption
- Communication has a central role to play in creating a positive image of tap water, similar to what is being done (on a massive scale) for mineral water

6. Wrap up (professor: 5–10 min)

The coordinators acknowledge the experts and hand over a small present. At the end, the professor collects short comments from all participants of the collaboratory, its procedure and its results. For this, the team members working on the specific topic are invited to open up the round with short statements. Finally, the professor thanks the student team and their coordinators.

Collaboratory 2

The objectives of Collaboratory 2 are:

- Using the “harvested” ideas of Collaboratory 1 as a starting point
- Developing specific action plans for the most relevant ideas
- Involving experts that could implement the action plans

The net collaboratory process time is designed to be completed within three hours (180 minutes). Additional time is required for set-up and clean-up. The Collaboratory 2 process is structured in seven steps.

1. Preparation (student team and professor)

The team in charge determines together with the professor the prototype ideas from Collaboratory 1 to be further elaborated and the experts and potential implementers to invite to the Collaboratory. Convincing stakeholders to join includes explaining the larger objectives of the exercise.
Two team members act as coordinators during Collaboratory 2 (they may be the same as in Collaboratory 1). Two more team members are defined as group leaders for each project selected. The professor knows in advance who plays what role.

2. Set-up of room (student team)
Same as in Collaboratory 1: large circle with experts being placed in the inner circle, at the beginning.

3. Introduction (coordinators: 20 min)
The group coordinators welcome all guests and participants and provide an overview of what has happened so far in the Introductory Session and Collaboratory 1 and what the larger context of the session is. They clarify the objectives for Collaboratory 2 and outline the planned process. Each prototype idea that has been selected for further elaboration is briefly presented. The estimated impact and the probability of an implementation are explained.

In the case of the tap water project, three priority areas were defined for further elaboration: University of St. Gallen, City of St. Gallen and restaurants.

The invited experts were: Head of Infrastructure, University of St. Gallen; Head of Marketing and Director of the Public Services, City of St. Gallen; General Manager Switzerland of an international water dispenser company; President of the Association of Restaurants, Canton of St. Gallen.

4. Group work to define core ideas (group leaders: 45 min)
All participants are split up into groups each consisting of a maximum of eight 8 people (bigger teams would lower productivity) to work on the defined prototype ideas. The groups are formed based on a prior Doodle
online scheduling request. One expert and a potential implementer of the prototype idea are present in each group.

Each group works separately with a flipchart on one topic. All group members take their chairs and gather around their flipchart. Each group is facilitated by two group leaders, with one of them moderating and the other writing.

A professional facilitation includes: welcoming and opening of the discussion; clarification of the goals and rules; facilitation of the discussion; focusing; summary; and ending of the discussion. If different groups work in the same room the discussions need to be held in a quiet voice.

It needs to be clear what output is expected from the groups; therefore a form with goals, results, members of the group, etc. should be prepared by the team beforehand. These forms need to be completed by the group leaders and handed over to the professor at the end of the collaboratory.

The two coordinators circulate between the different teams and make sure that everything runs smoothly. Timing is kept to (an alarm app might be helpful), and substantial results are produced.

The following procedure is recommended:

- Short introduction by the two group leaders to the topic, background, goals and own expectations, procedure (5 min)
- Silence for five minutes, so that each participant can concentrate and note down his or her ideas concerning the prototype idea
- Brainstorming (the rules should have been explained) (15 min)
- Reduction of all ideas to the ten ideas with the strongest implementation potential (5 min)
- Input of the expert and short discussion on which of those ten ideas are most relevant, realizable, and promising. Selection of five implementation ideas and summary by the two group leaders for subsequent presentation in front of the whole class (10 min)

The participants may want to take a short break (15 min).

5. Presentation and selection of the best ideas for implementation (coordinators and group leaders: 30 min)

All participants turn their chairs round and return to the big circle (set-up at the start). The two coordinators moderate the session.
The group leaders present their five implementation ideas (5 min/group; 15 min in total).

After each group presentation the whole class selects the top three ideas based on a plenary vote (5 min for each group, 15 min in total).

**Five ideas for University of St. Gallen and three selected (in bold):**
1. Introduction of water dispensers
2. Improve infrastructure and directions for water faucets/fountains
3. Attractive bottle of water for each student
4. Information campaign to increase knowledge and awareness about water issues
5. Water week, organized by student organization oikos

**Five ideas for City of St. Gallen and three selected (in bold):**
1. Information campaign to increase knowledge and awareness about water issues (water day)
2. Awareness raising and education in pre-schools and schools
3. Improve infrastructure and directions for water fountains and create attractive bottle
4. Collaboration with local companies
5. Co-sponsoring with local companies

**Five ideas for restaurants and three selected (in bold):**
1. Tap water refinements (e.g. different tastes)
2. Adaptation of water dispensers to different locations (restaurant versus nightclub)
3. Information campaigns for different cities (St. Gallen water, Zurich water, etc.)
4. National branding for Swiss tap water
5. Harmonization of pricing structures for tap water

6. Developing definitive action plans (group leaders: 40 min)

The groups return to their flipcharts in order to develop action plans for the three selected ideas. They split up into sub-groups to work separately on the selected ideas. The issues discussed are: (a) the crucial actions and the time needed, (b) critical resources/support/stakeholders, and (c) expected impact of the project (25 min). The sub-groups present
their results to the whole group. The group leaders sum up the results and record them on the pre-established form (15 min).

7. Presentation of the results (coordinators and group leaders: 30 min)

The participants return to the big circle set-up and the group leaders present their results to the whole class. The results consist of clear action plans with suggestions on how to proceed, including points a, b and c mentioned above (5 min/group, 15 min in total).

The two coordinators sum up the most important results, highlight next steps to implement the projects and end the session (10 min). The professor acknowledges the experts and offers a small present. He thanks the student team and their coordinators (5 min).

Learning outcomes of the three sessions

The learning outcomes can be related to the following four aspects: the collaboratory method, the student experience, the observed learning, and the impact noted by the participants. They have been extracted from comprehensive reflection papers submitted by the students on their key experiences and learning at the end of the course. The selected quotes include learning outcomes that were mentioned most frequently by the students (see Box 15.1).

Box 15.1 Students’ learning outcomes

Related to the collaboratory method:

- The method allowed for a much more profound insight, understanding and engagement with the topic than traditional methods; the extent of commitment, engagement, drive and determination of my fellow students to work on these subjects was very high, which is very rare
- The lively and interactive atmosphere inspired a highly active thinking and reflection process; what we did didn’t feel like work
- It turned traditional learning methods upside down with a focus on developing visions and practical solutions
• Biggest learning effect was due to the amazing preparation of the collaboratories
• Initially, the speaking stick reminded me of an educational measure for children, in hindsight, I must admit that it enabled a respectful exchange of positions and made great sense
• I was surprised how constructive the experts were. Their ideas were innovative, even visionary, despite the fact that they held contradicting views
• The open circle created a space where everybody was invited to participate. The professor held back on purpose, thus opening the door for all of us to participate and engage; but not everybody was willing or able to embark on a journey into a visionary future
• I was fascinated by the diversity of proposals emanating from the process. It demonstrated to me the need to have many different stakeholders and perspectives around when we want to come up with innovative ideas

Related to the student experience:

• I was most skeptical as I have never seen anything similar in my university. Yet I was most amazed about the degree of my own learning and the learning about myself
• I started to feel more comfortable in the second Collaboratory of the first group.
• I was astonished at the wealth of creative and innovative ideas of my fellow students
• I never thought so much learning was possible
• After Collaboratory 2 I told my team that I would go to war with them and how deep a level of trust I had developed
• I spent many hours in my free time to understand these topics better. I experimented with new recipes, new shopping, all of which are really important for my learning success

Related to the observed learning by the participants:

• I was required to step outside my comfort zone and realized that I have never so far critically reflected my own behavior and actions
• The course enabled me to drop my mostly legally formed, fact-based thinking and to embrace a more joyful and maybe naïve approach. I realized that my talent for imagination was very weak
• I realized that my past experience of mostly having to memorize for exams is not the only form of learning. I have learned by communicating with experts and my fellow students—a totally new and enriching experience

• I have never worked in such a large group (15) and this has been the best team experience ever

• My brain was massaged to develop a consciousness for sustainability. This consciousness now flows into many daily considerations in the three topical areas: climate-friendly food, mobility, and water

Related to the impacts noted by the participants:

• I realized I had no clue which vegetables were in season. As soon as I arrived home, I printed a seasonal table of veggies and put it on my fridge. But I also realized that there were a number of things I did not want to live without. I chose to eat less meat and to avoid veggies and fruits from overseas

• The continuous exchange of ideas with my fellow students resulted in so many ideas that we have now decided to launch a start-up

• It took much courage to contact new people and encourage them to spend their valuable time in our collaboratory—but my related learning curve was steep

• My way of managing the group was much appreciated despite much hesitation on my side

• We produced nine concrete ideas of how to solve our issues; two of the experts embraced these and agreed to implement them

• The concept “my town–my water” will be implemented by the city of St. Gallen—totally amazing

• Besides the various changes in my own life, I was also able to influence my family and friends: my aunt now receives a weekly local veggies basket and my friends order tap water in restaurants

In conclusion, we were very positively surprised by these early conclusions, which suggested that the collaboratory offers more profound insights and deeper learning through more engagement and an active process of both group and individual reflection. We believe that these were enabled and triggered by the collaboratory setting, which enabled an equal learning environment of students, experts, and professors. We had entirely underestimated the impact of the large group team work among students in terms of enhancing the learning breadth and depth,
which included an unusual dimension (for university courses) of innovative and entrepreneurial ideas. An important implicit aspect was the deeper dimensions of interpersonal relationships and friendships that had developed.

We are continuing with another 40 students engaged in three new burning societal issues this year and look forward to evaluating the learning of this new co-creative process. We wholeheartedly invite others to embrace such experimentation and remain available if we can help in this process.

Reference

Collaboratories can take very many different shapes and forms and need to be designed, better still, co-designed, for the occasion each and every time afresh. I am using as an example the two-day collaboratory on “Leadership in Transformation” that took place from 27 February to 2 March 2014 in Trondheim, Norway. This event is part of a European Union-sponsored project (Leadership in Transformation: LiFT) featuring five collaboratories across Europe in a period of 18 months.

The chapter is structured in a series of reflections on how to:

- Level 1: Co-design a collaboratory
- Level 2: Co-create a collaboratory

We will shift back and forth between these two levels in order to simulate a real-life occurrence of such an event. We will start with Level 1 Part 1, move to Level 2 Part 1, spiral back to Level 1 Part 2, then spiral forward to Level 2 Part 2, and spiral one level back to Level 1 Part 3.
Level 1 Part 1 → Level 2 Part 1 → Level 1 Part 2 → Level 2 Part 2 →
Level 1 Part 3
I will complement each level with references to relevant chapters in
the book.

Level 1: Co-designing the collaboratory event (Part 1)

Co-design starts way before the event, a few months ahead when the
group of organizing participants meet to decide on the purpose of the
collaboratory event. In our case, we met virtually on Skype a number of
times to clarify the purpose and intention of the “workshop,” who we
wanted to be present, and how to go about inviting them.

As an initial framing, we had decided initially that we, as a core group
would meet for four days around the issue of “Transformative leadership
in changing times.” The first and last days would be reserved as our own
space—both to set the stage for ourselves and the group of stakeholders
that would join us for the second and third days and to reflect on the
collaboratory event and close the space afterwards.

We met again on Skype approximately one month before the event to
discuss how the stakeholder engagement went, how this would influence
the event, and if and how each of us could be engaged in the role of co-
designing the event at the same time as wanting to be active participants.

One week before the actual event we connected again to finally set
the skeleton agenda for the two days (see Figure 22.1). As the appointed
facilitator, I presented a proposal and as a group we discussed how the
agenda would enable the transformative journey we all aspired to. We
decided to split the collaboratory into two separate sections: Day One
afternoon, downloading–dialoguing–visioning–harvesting; Day Two
morning, review harvesting–prototyping, with an option to potentially
re-do another short visioning exercise to start. We sent this very rough
agenda to all signed-up participants so that they could start their inner
and outer journeys to the event. At that point, we knew that we could
expect roughly 25–30 participants from seven countries.
Figure 22.1 The proposed skeleton agenda one week before the event

LiFT - Leadership for Transition Collaboratory 2-day session

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>9am</td>
<td>Check-in – purpose of the 2 days</td>
<td>In a large plenum</td>
</tr>
<tr>
<td></td>
<td>Reflections on leadership</td>
<td>In small teams</td>
</tr>
<tr>
<td>11.30</td>
<td>LUNCH (45 min.)</td>
<td></td>
</tr>
<tr>
<td>12.15</td>
<td>Collaboratory 1 – downloading &amp; visioning</td>
<td>Circular setting with fishbowl</td>
</tr>
<tr>
<td></td>
<td>Open space</td>
<td>Free</td>
</tr>
<tr>
<td>16.00</td>
<td>Closing for the day</td>
<td></td>
</tr>
</tbody>
</table>

Friday, 28 February

The northern darkness greeted us as we arrived late at night from many different directions at Trondheim airport. Our local host very kindly picked us up and drove us to our respective hotels. The next day, ten of us met as the core group at an amazingly inspiring spot in the heart of Trondheim. We spent the morning checking in and warming up to the topic of transformative leadership. Interesting elements came up around “lazy leadership,” the tension of wanting to assure impact, and the subtle inner space of lightness where change actually happens. We treated ourselves to both a lecture and a concrete application of holacracy as an emerging new organizational form that we had agreed to use as our own organizational model for the 18 months we were working together. Having a holacracy expert in our midst was too precious a gift not to explore.

Shifting into a different energy, we then stepped outside and started to prepare the space for the two-day event that would take place for the
following two days with the invited stakeholders. We started first by sharing who was coming (background, perspectives, and motivations as far as was known) and then closed our eyes to open the space for the two-day workshop inviting the intentions and presence of all participants into this subtle space we would be co-responsible for holding. I am always fascinated by what happens once the “space is created” and how this enables—probably subconsciously—participants to start floating in and populating the energetic field.

We looked at the rough agenda design we had drafted a week earlier and started to fill out the details. The afternoon of Day One was the heart of the event, with a visioning exercise that would call on the emergent future to inspire us with new insights that we would then transform into prototypes on Day Two. For this it was critical to ask precisely the right question for the collaboratory theme. After much debate and word-smithing (this is critical and deserves all the time in the world) we settled on “In these coming times, what kind of a leader am I called to be?” From this central question, we worked backwards to define the preparatory stages we considered to be important for all participants to go through in order to be ready to answer this question in the afternoon of Day One. For this, we needed to define:

1. The check-in question

2. The question for the small group reflection on transformative leadership

3. The question for the reflective walk right before lunch

Not surprisingly, we spent most of the time defining what was needed to set up the space both physically and metaphorically in the opening moments. We sorted out both logistical and contextual framework information and most importantly how we wanted all stakeholders to check in. We shifted from the initial proposal of “What in your past has triggered you to accept this invitation?” or “What brings you here?” (a classic) to “What wants to move now?” This question was to be introduced with the remark that we were all moved to come here for one reason or another and that we invited everybody to share “what wants to move now?” for them. We had somebody assigned to decorate the center of the circle of the check-in by bringing a tissue and a few items of different textures to be placed on this tissue.

The other two questions (b and c above) derived from the check-in as we decided to focus all stakeholders on clarifying where they were
themselves—personally and individually—in terms of transformative leadership.

For the question for the small group reflection (b), I borrowed a set of questions used by Andrew Dyckhoff: we invited the groups to first individually reflect on and then share the following questions: In terms of transformative leadership, what is (1) my remembered self? (what am I proud of?) (2) my reflected self? (what do others say about me?) (3) my current programming? (what are my beliefs and assumptions about myself?) and (4) my aspirational future self? (what kind of leader would I like to be?).

For the reflective walk questions (c), I suggested that pairs of people who had not yet worked together would further digest and develop this set of questions by looking at: What could I (1) stop doing, (2) continue doing, and (3) start to do?

The organization of the collaboratory required three preparatory actions:

1. Deciding together who the initiating “experts” in the fishbowl would be—for example, would we draw them from our core group or would we invite key participants? We decided on two of each based on the desire to have as much diversity and contrasts in the discussion right up front. We agreed on who would approach the two participants and we also had two back-up volunteers in case the two “externals” did not want to be “experts”

2. Determining the four volunteer note-takers for the harvesting after the visioning process and clarifying among them how they would smoothly take notes by defining a rotation mode

3. Writing the visioning journey. Given that we had now agreed on what we wanted to achieve in the collaboratory, I took on the task of developing the storyline for the meditative visioning journey for the group. I let this sink in for a few hours and ended up finalizing the story late that first night. As I consider developing such storylines as the most sensitive part in facilitating a collaboratory, I add here as an example the exact notes of the storyline (see Box 22.1).

The only thing left to consider was the open space after the collaboratory. Well, an open space is an open space and all I brought to that in preparation was an idea of what could be proposed. But, open spaces follow the law of two feet (we all go where the energy leads us) and so this cannot be prepared much in advance.
Level 2: Co-create the collaboratory event (Part 1)

Luckily, I had checked on the room the night before the event—everything we had asked for had been forgotten and I needed to persuade the night guard to help remove all tables, search for the four flipcharts, and find all the chairs we needed for the circle of chairs. At least I could sleep well, knowing that the next day we would find the place as we expected it.

We started at 9 a.m. sharp with the introductions as planned. What I added was an explicit description of my role as a facilitator and the disclosure that I would add “editorials” here and there during the process to offer transparency of what my moves and considerations as a facilitator were. I did this because many participants had a keen interest in further developing their own facilitation skills. I clarified my facilitator role by explaining that I was of Swiss-German origin and that our people were not gifted with a sense of humor (which of course got everybody to laugh and relax). I made this cultural reference as the large majority of the group were Scandinavians and I had no experience in how to relate to Scandinavians in terms of their cultural programming and frame of reference. I told them that the Germanic tribe was known to be very direct and straightforward and that I could be known to come across as harsh in some of my interventions. I explained that my intention in my interventions would be to differentiate between activities that held back the process and those that would help advance it, and that I would try to prevent the former and encourage the later. I also said that I was not a flawless facilitator and that I did not always manage to make this distinction correctly and that I would do my best to own up to my mistakes. I added that they could be just as harsh and direct with me, if they felt the need. The resulting effect was a great relief and sense of relaxation in the room. The rules of play were clear.
The check-in (see Figure 22.2) was amazing and took a full hour. The centerpiece arrangement with the handful of small items (a seashell, a rock, a small pig, a globe) contributed significantly as participants often related their choice of object to what they had to say. We invited everybody to share on “what wants to move now?” What was revealed was highly inspiring and revealing and set the tone for the rest of the event.

**Figure 22.2** Day One check-in on “what wants to move now?”
After the check-in and the small ten-minute intervention, we were left with just one hour before lunch, which felt a bit short for the two exercises we had still planned to do. The group, however, was in a great spot and I figured that if I manage to ensure all were mindful of their time and how their actions would impact their small groups, a tight timeframe could still allow enough space for everything. Rather than 90 minutes, we had 40 minutes for the first small group exercise and 20 minutes for the reflective walk (see Phase 1 above for the related questions). We quickly established both the groups and the buddies for the pair-walk and got them to self-manage their break and the start of the group work. After half-time, the individual part was completed leaving 20 minutes for sharing. I briefed them for the pair-walk and reminded them where to find lunch and when to be back. The discussions at lunch were both animated and deep.

In the afternoon we launched right into the collaboratory (see Figure 22.3) for which I quickly explained the context (50+20) and the rules:

- The experts in the inner circle (fishbowl) would start off with their individual positions and an exchange among themselves
- Thereafter, everybody in the outer circle was encouraged to replace the experts in the inner circle by tapping on their shoulders or using the one empty chair
- The talking stick would moderate by sitting in the middle of the inner circle and whoever held the talking stick could not be interrupted for as long as he or she held the talking stick

We had an inconsistency between the PowerPoint slide, which still showed the original collaboratory purpose questions (“How does each of us (how do I) develop our transformative leadership potential?”) and the flipchart, which showed the questions we had developed the previous day (“In these coming times, what kind of a leader am I called to be?”). We needed to explain that the former was meant to guide the initial discussion while the latter would be the question we wanted to answer by the end of the collaboratory. I failed to use this occasion to uncover a moment of improvisation. At that moment, I wanted to get going.
Interestingly, our “transformative leadership in changing times” topic brought up little or no controversy and the energy in both circles was slow and quiet, to the point that two people on the outside were either meditating or had fallen asleep. I was wondering if I should intervene by drawing attention to the energy and empowering people to influence this. Not 20 seconds after my reflection, one of participants who had shown signs of impatience got up and moved into the inner circle. Within two minutes, two more high-energy participants followed shifting the energy to a productive and simulating level. Most impressive in this “downloading phase” was how the energy shifted to include the emotional level. One of the participants made a very personal and emotional statement, which another participant acknowledged and recognized. The air changed and the entire room shifted.

The visioning (see Box 22.1) and the harvesting that followed went as planned. As it turned out, the harvesting contained a lot of controversy and mixed messages (see Figure 22.4). I was confused by not being able to come up with a summary picture. Rather than taking the time...
to tell the story that resulted from the harvesting, I let everybody take a 15-minute break. We continued with a ten-minute personal reflection whereby I invited everybody to come up with emerging prototype ideas that people could develop for an hour in the open space. Seven ideas were put forward and there was much energy in the open space hour and around these ideas before we closed at 4 p.m.

**Box 22.1 Storyline developed for the visioning process**

I am now going to take you on a visioning journey and I am asking you to trust me for the five to seven minutes this journey takes. Respect the process by staying in your seat and not leaving the room. I promise I will bring you all right back here again at the end (smile).

Please put both feet on the ground and sit comfortably in your chair, putting whatever you have in your hands on the floor. It often helps to close your eyes during this process; it helps you to see better.

We have talked a lot about transformative leadership and I invite you now to connect to your body more fully. Take a deep breath and follow your breath within your body (pause).

Let’s explore where in your body you connect to transformative leadership:

- Where do you feel something when you “set direction”?
- What happens in your body when you “build commitment”?
- When you “create alignment” where do you sense something in your body?
- When you “support initiatives” what moves in your body and where?
- How does your body feel when you “develop a coalition”?
- How does that feel? What happens when you interconnect all these different spots and spaces? How do you experience this sensation within you? Now, imagine that you had a volume knob that you could turn on full blast—how would that feel? Take a deep breath and let this sensation expand and grow.

Feel fully in your body grounded and connected, you as a human being the link between the earth on which you stand and which grounds you and the sky and heaven above you that is full of insight and inspiration. Imagine you could feel that connection, that you are between these spaces.

Now, imagine the world in which you live and belong, and how it is evolving:

- The increasing volatility in everything
- The increasing speed, and information flow
- The overlapping and contradicting demands
Level 1: Co-designing the collabatory event (Part 2)

Our core group met at the end of Day One to reflect on how to continue on Day Two. We debated whether we should start with another visioning exercise in the morning of Day Two or should simply continue with the prototypes we had already started. We ended up deciding that we wanted to keep both alternatives open and that we would choose according to where participants were in the planned check-in. There were other valuable suggestions including the idea of starting the day in silence. What we had planned was to start with a few revealing constellation questions, yet we had had no time yet to explore these. This had be done in the evening in addition to developing another visioning storyline in case we might want to have another visioning.

I further reflected on what to do with the group on Day Two and decided to be fully transparent about my confusion, having been unable
summarize the results of the visioning process in a conclusive picture. I prepared a comparison with the check-in in the morning (see Figure 22.4). After a good night’s sleep things were clear the next morning: we would do a check-in with everybody; I would provide my “editorial comments,” highlighting process-related choices; and we would engage in another visioning exercise from which we would draw additional prototype ideas that would be combined with those that emerged in the open space.

**Figure 22.4** Attempt to see shifts from check-in to visioning harvesting

---

**Level 2: Co-create the collaboratory event (Part 2)**

The check-in and two constellation questions revealed that the large majority of the participants did not have concrete or specific expectations from the workshops—they were mostly curious. There was also broad alignment that transformative leadership combined both the individual and the collective spheres. I reflected on these notions by making the consequences of unclear expectations transparent and also by reflecting...
that our visioning exercise the previous day had focused on the individual dimension only (“In these coming times, what kind of a leader am I called to be?”). I built the path for us to experiment with a new visioning exercise: “Imagine a world where transformative leadership is a lived reality at all levels—the individual, organizational and societal (I—we—all of us) levels.” This time, I gauged the journey on my own speed as I physically went through the experience (the visioning model I used was an adaptation of the model described in Chapter 15). The harvesting was extremely rich and resulted in a coherent and comprehensive picture of what such a world would look like (see Figure 22.5).

**Figure 22.5** Harvesting result from visioning of Day Two
The harvesting took us through to 11 a.m. and was followed by a 30-minute free brainstorming on possible relevant prototypes that could be created now based on the inspiration of the lived experience of the future. By the (Norwegian) lunchtime of 11.30, we had a full flipchart of ten ideas that were about halfway between the ideal future and an implementable prototype.

The core team met during lunchtime to condense and rephrase the long list of brainstorm ideas and those projects developed in the open space of Day One, coming up with six concrete proposals and an open “to be defined” rebel group (see Figure 22.6). We defined the “prototyping rules” and distributed facilitator roles among us to ensure that each of the potentially seven teams would be well accompanied to come up with concrete actions to be implemented in the next one to two months together with an accountable person. After an hour and a half of intense teamwork, the results were most impressive and astounding. Most teams had developed a series of “next action” steps and even the rebel group surprised us with a very concrete and highly relevant project with clear action goals and accountabilities.

After a 30-minute reflection walk, where participants were invited to select somebody they had not yet connected with and share their personal learnings from the course, we were ready for the final debriefing and closing round. We had prepared a survey where we collected feedback of participants about the effectiveness of our proposed process and journey. And at 4 p.m. sharp we ended two intense days around transformative leadership in changing times—with still a bit of time for a long walk up to the local castle before the sun set quickly in the north of Europe.
**Figure 22.6** The challenge of combining emerging brainstorming prototypes and open space projects from the previous day.
Level 1: Co-designing the collaboratory event (Part 3)

On Day Four, our core team met to review and reflect on the two-day workshop. These were the key learnings in a nutshell:

General:

- The way we ran the collaboratory meant there was too much pressure on the lead facilitator

- The topic was too generic and insufficiently specific to generate very powerful results. There are many ways we could have better dealt with this: (a) to provide that clarity upfront by being very specific about the invitation, (b) by harvesting the perspectives and expectations at the beginning of the workshop and then developing strategies addressing key challenges, (c) using the entire workshop to work out the clarity of the question and create powerful learning experiences in the process

- We were unsure if we could expect the participants to be as open as they were in future events

- Reflecting outside of the space of the workshop, for example, visiting a museum, was most useful
• The way we issued the invitation was too general and broad, leading to very divergent expectations of participants

**Process and design-specific feedback:**

• It would have been good to have more formal time to meet and exchange among the many participants

• There was a hunger for more formal input/inspiration/insight/resources (documentation) about the topic—in a situation where the topic is more specific this would happen naturally

• It would be interesting to have a track where the methodology and process were discussed (further developing the “editorials” introduced during the session—a very useful idea). At the same time, there was a question of to what degree it was helpful or confusing to invite participants into such a multilevel “nested” space. This issue arose because the core group wanted to understand the methodology (and was still hungry for more)

• We understood that there were different elements of the “editorials”: (a) meta-level comments, (b) comments about the methodology, (c) facilitation-related comments, and (d) comments about our core team reflections about the process. It would be worth deciding which of these would be smart to share, when and how, and which of these are not necessarily constructive to share

A question we were left with was whether the collaboratory methodology was actually suitable to advance more meta-level, unspecific issues. Most successful applications of the collaboratory so far were addressing complex but concrete multi-stakeholder issues. Given that the Trondheim collaboratory workshop was one of the first events dealing with a very broad, unspecific topic such as “Transformative leadership in changing times,” our core group’s reflections were inconclusive. The prevailing feeling was that even though not perfect, the collaboratory did produce serious, important and relevant results. And nobody was aware of a methodology that could have produced better results. Our host finally concluded that it was very worthwhile to prototype a sequence of improvements of this methodology in the context of being delighted to have a “clumsy solution for a wicked problem.”

To be experienced, lived, and enjoyed!
Differences from other facilitation approaches

Eddie Blass
Learning Innovations Hub, University of New England USA

Peter Hayward
Swinburne University, Australia

This chapter presents two personal reflections on the facilitation of the collaboratory process from two very different and experienced group facilitators. The differences in the process from the facilitator’s viewpoint are drawn out including the challenges faced in the processes and the need for the facilitator to live with the discomfort this creates during the process itself. Both facilitators use the first part of the collaborator process only: the talking circle element. They use this as a means of deepening a group conversation rather than leading straight into a visioning process.

Reflection 1

I’m probably quite a “traditional” facilitator normally in that I tend to work with groups to help facilitate an outcome to a set agenda. Normally I have a brief of what the question is and, to a degree, what the desired
CONTRIBUTIONS, LIMITATIONS AND FURTHER RESEARCH
CONTRIBUTIONS, LIMITATIONS AND FURTHER RESEARCH

The contribution of the thesis lies in bringing together many different strands of research and fields of inquiry with the aim to provide a more holistic perspective of one of the great conundrums of our times: namely, how do we transform organizations so that they are celebrated for their contribution to society? This question contains an underlying issue which questions the relationship of sustainability and responsibility, or more precisely: of business sustainability and responsible leadership. This inter-connection reveals a dynamic that opens up yet another domain, namely the fields of organizational and personal development. And again, their inter-connection. Research into innovative pedagogies and educational frameworks to enable a transformation of organizations in service of society by embracing business sustainability as an organizational development goal and responsible leadership as a personal development aim, contributes further to this research by defining the value and need for a common space in which these goals and aims and layered transformations can take place.

Of the 14 selected articles, four are published in peer-reviewed journals (of which one with a co-author) and two are in current peer review (again one with a co-author). Two articles are published in editor-reviewed journals (of which one with a co-author) and six articles are published in a journal and in a book with me as the main editor (of which three with co-authors). Or, taking a different perspective: as a sole author, I have published two articles in peer-reviewed journals, one article which serves as a chapter in a peer-reviewed hand-book. Furthermore, one article is currently in peer-review (the summative article of chapter 1), one article is published in an editor-reviewed journal, and three articles are published in a book where I have served as editor.

Overview of contributions and limitations by chapter

The various articles in the three main chapters 2, 3 and 4 demonstrate coherent pursuing themes that lead up to a consistent study of the often separately considered fields of sustainability and responsibility, leading to the
understanding of the value and need for a common space of both to favor related organizational and personal transformations. Explorations around methodologies of how to create and hold such a space formed an integral part of explorations of the role and purpose of the business school of the future and the related emergent “Collaboratory” methodology has been tested and applied in this sense. The introductory chapter provides a formal overview of the follow-on chapters and is written as an independent article proposing an overarching model for a common transformative space of sustainability and responsibility. There is a high degree of self-referencing in the introductory notes of chapters two, three and four. This is due to the fact that I sought to provide an introduction of what follows, providing a contextual framework so that the reader can orient himself.

Chapter 1 outlines these interconnections and provides a framework for the following chapters. It provides an overview of the aims & objectives and research methodology of the PhD. It ties together the remaining three main chapters, suggesting an overarching model for a common transformative space of sustainability and responsibility, drawing on a selected range of previously published articles that are divided into three follow-on chapters. As such, the structure of the introductory chapter builds on the structure of the entire thesis, with the first section called ‘organizational development towards business sustainability’ offering insights into the economic context offering a literature review of the topic in addition to a summary of my own work in chapter 2. The second section called ‘personal development towards responsible leadership’ starts by framing the challenge of responsible leadership including the theory-practice gap and then considers how to define responsible leadership including thoughts from both Eastern and Western philosophies. The third section ‘The common transformative space of sustainability and responsibility’ considers the interconnection of the two fields as well as enabling conditions for such a transformative space.

The main contribution of the summative article of this chapter is section 4 called ‘the model of sustainability and responsibility’ outlining a theoretical concept that combines the inner and outer worlds of responsibility and sustainability in a framework of emerging transformation in the area of both personal and organizational development. The related movements are considered in detail
including potential unintended consequences of the proposed model. These unintended consequences (vicious circle) represent a potential limitation of the model. Each section offers as an ‘acupuncture’ point a most poignant figure of my research in the domain. Section 5 ‘Enabling individual, organizational and collective transformation – the Collaboratory’ frames the proposed model of section 4 and considers methods and approaches that can strengthen the common transformative space of individual and organizational development. Importantly, it evaluates the ‘Collaboratory’ methodology for its effectiveness for such a space and as a tool to develop responsible leaders.

A detailed review of the specific contributions, limitations and further research of chapter 1 is provided at the end of chapter 1.

**Chapter 2 “Organizational development towards business sustainability”** includes four articles starting with a proposed framework typology developed with Thomas Dyllick (University of St. Gallen) entitled “Clarifying the meaning of sustainable business: introducing a typology from business-as-usual to true business sustainability”. The key contribution of this article lies in the holistic overview of the disconnect between the state of the world and the many business efforts in the area of sustainability which do not sum up to improve the state of the world. We provide a typology of business sustainability which indicates the gap between what is considered current best practice (BST 2.0) and what we propose to be called truly sustainable business (BST 3.0). This outside-in approach suggests the need to work with stakeholders in a collaborative approach to address burning societal issues which is further developed in chapter 4. The limitation of the article lies in the fact that it is conceptual only and that is remains to be seen how BST 3.0 can be implemented in the current business landscape. This limitation is addressed in the second article, “an organizational roadmap for business sustainability” where the typology is translated into a practical guide for businesses to advance in their sustainability journey by summarizing existing research in a variety of relevant areas to identify key organizational characteristics required for a business to become sustainable. The key contribution of this article is a proposal to define the ten attributes of advanced sustainability firms and an attempt to describe concretely what BST 3.0 means for business. The article focusses mostly on BST 1.0 and 2.0 which can be considered a limitation.
Another limitation relates to the fact that little is known about how to transform organizations towards sustainability and this article at best being an initial yardstick in a field that requires much more research.

The remaining two articles in chapter 2 outline two concrete path-ways for advancing business sustainability in business which I have developed together with two of my doctoral students. Munif Mohammed and I investigate in “re-orientation of corporate strategy to enable business sustainability” ways to embed sustainability in the very heart of business, namely in its strategic process. The contribution of this article is that we offer a model for how to achieve this. As a result, it became clear, that sustainability requires a quite different approach to strategy, as it outlined further in this introductory chapter here. The article is based solely on literature research which represents its limitation and outlines the need for further research. Frederic Narbel and I, on the other hand, evaluated in “driving sustainable business implementation through tripartite guardianship” the potential benefits of working with stakeholders towards governance structures that enable not only individual organizations but entire industries to work in service of society and the planet. This article contributes to knowledge by providing a first outline of the importance of a collaborative space for stakeholders, an early indication for the value and need of the ‘Collaboratory’, which forms the heart of the last chapter of this thesis. Again, it is solely based on a literature review and begs for more research to protect against unintended consequences of this approach.

**Chapter 3 “Personal development towards responsible leadership”** picks up a string of relevant articles in the field of responsible leadership and business education in order to investigate the connection of personal development and pedagogical requirements to enable it. “‘The right attitude’ as a key hiring criterion for graduate students in Switzerland” is a result of an annual conversation my colleagues and I are having with executives in our incredibly rich business environment of the lake of Geneva in Switzerland. The contribution of this article lies in the fact that my colleague Mary Mayenfisch and I summarized the research results of one round of such a survey against previous years, establishing the importance of ‘soft-skills’ in the hiring process of business graduates seeking employment at international organizations of all kind. The research suggests the importance of ‘the right attitude’ and article
sets the basis for the argument of responsible leadership. The article is only briefly embedded in the most relevant literature and is built on a limited sample in Switzerland only. It is followed by the article entitled “Are business schools doing their job?” which compares the requirements of 30 CEO’s and H.R. directors with learning outcomes of MBA programs. The contribution of the article lies both in this qualitative survey sample as well as in the descriptive review of the content and pedagogical transformation of an MBA program at a Swiss business school.

The article “Developing globally responsible leaders in business schools: a vision and transformational practice for the journey ahead” builds on the 50+20 vision and integrates important prior developments in the field of sustainability education by thought leaders such as Stephen Sterling. Building on Gregory Bateson’s three order model, the article contributes to the body of knowledge by proposing a step-by-step approach to transform business education to develop responsible leaders, an attempt to bridge sustainability and responsibility and suggesting the importance of collaborative spaces, which are further developed in chapter 4. The limitation of the article may lie in its deductive approach from a future-based vision (back-casting method) rather than the typical inductive approach, built on a normative viewpoint. The potential unintended limitations of the collaboratory are possibly not entirely addressed. The chapter concludes with a descriptive article called “Action research and management education” which seeks to demonstrate how a business school can embrace an organizational process with an action research mindset, actively observing what is happening while it is happening. The contribution of the article lies in the innovative use of the seven choice points of action research as a structure to investigate how a business school in Switzerland transforms itself in these seven choice points: 1) broadening the use of action research in management education, 2) turning BSL into a co-creative platform, 3) creating a larger vision, 4) co-creating future-relevant education, 5) co-creating future-relevant research, 6) co-creating future-relevant societal engagement, and 7) sharing learning among students. The limitation of this descriptive article includes a lack of a literature review of action research, which was specifically not desired by the editor. This limitation is addressed by providing more literature references in the
introductory text of chapter 3. The article concludes this chapter by creating a bridge between personal development and organizational development.

Chapter 4 “The transformative common space of sustainability and responsibility” attempts to now formally bridge the two previous chapters and the fields of sustainability and responsibility on one hand and the elements of organizational and personal development on the other hand. The chapter starts with a short article summarizing “50+20 – a vision for management education” which in many ways forms a backbone to many considerations of this thesis. While the book on the same topic, co-authored with a team of colleagues around the globe is not included in this thesis, the article serves as a representative contribution outlining in a summative manner the key contribution of this work. 50+20 (www.50plus20.com) is radical in its approach and asks important questions such as a) what kind of a world do we want to live in, b) what does this imply for the kind of society we envision, c) what kinds of business organizations does such a society need, d) as a consequence, what kinds of leaders do we need to transform towards such businesses, and e) as a result, what does this mean for business education. The limitation of this article is both its brevity and style targeted at a professional audience. It is a summary translation from the book mentioned above. The following articles define the ‘Collaboratory – a co-creative stakeholder engagement process for solving complex problems’ and provide poignant examples of application of the methodology; they are all chapter contributions of mine in an edited book volume entitled ‘The Collaboratory’. “Defining the collaboratory” presents a definition of the collaboratory by uncovering where the terms originates from and how it has evolved over time and what it means in the context of management education. The “Collaboratory” builds on a number of existing facilitation approaches including Appreciative Inquiry (Cooperrider et al., 2008), Open Space Technology, the Circular Way (Baldwin and Linnea, 2010) and, in particular Theory U (Scharmer, 2009). The article also discusses the importance of the circle in collaborative work. “The collaboratory methodology at

3 Muff, Katrin, Dyllick, Thomas, Drewell, Mark, North, John, Shrivastava, Paul and Haertle, Jonas (2013): “Management Education for the world – a vision for business schools serving people and planet”, Edward Elgar, Northampton, MA

the RIO+20 conference" represents the original contribution in this domain and offers a concrete understanding of how a ‘Collaboratory’ actually works, outlining the particular setting we had prepared for at the RIO+20 conference. As such the contribution and the limitation of these two articles are two sides of the same coin: the articles provide the context for the collaboratory, yet their descriptive and conceptual nature is entirely suggestive (e.g. the second article is a guideline for facilitators).

The remaining two articles focus on the aspect of scalability and the challenge of making the methodology available much more broadly. The article written with Thomas Dyllick and entitled “Students leading collaboratories – University of St. Gallen” offers a more complex and comprehensive description of a Master course built on the ‘Collaboratory’ methodology providing a step-by-step approach which can be adapted to many other situations. Its contribution lies in its ability to demonstrate how students can be empowered to independently manage and lead such a process. Its small sample size represents its limitation. “Designing a collaboratory – a narrative roadmap” is the concluding chapter of the ‘Collaboratory’ book and responds to the challenge of providing a roadmap for how to design and co-create a ‘Collaboratory’. Rather than providing a dry check-list, the article contributes to the body of knowledge by describing a real collaboratory event, commenting step-by-step observing intended and unintended outcomes and how these contribute in again intended and unintended ways to the outcome of the co-creative event. Rather than a beautiful walk in the park, it is a real-life account of an event that didn’t go as it was intended, yet did achieve the set objectives; such can easily be considered as a limitation. The aim of this concluding article was to reduce the initial hurdle rate for new-comers to embrace this stakeholder engagement approach and dare to experiment. I am quoting the event host Jonathan Gosling at the end of the chapter who says that the collaboratory may be “a clumsy solution for a wicked problem”, which in my view is a beautiful contextualization of the challenges and limitations of the collaboratory. The selection of articles in this chapter seeks to find an answer to the challenge established in the two previous chapters: namely, how to respond to the value and need of a common space for organizational development towards sustainability and personal development towards responsible leadership. The selection of these articles was based on
the request to provide an understanding of how to design and co-create such a space and hopefully contributes value to both practitioners and scholars in this emerging field.

**In conclusion, the contribution to knowledge of the entire thesis** can be summarized as follows:

- a) Formally connecting the fields of sustainability and responsibility through the recognition of the related organizational and personal development dimensions;

- b) Outlining the purpose and need for a common transformative space for organizational development towards business sustainability and personal development towards responsible leadership; and

- c) Evaluating a possible methodology for creating and holding this common space in terms of its contribution to developing competencies related to responsible leadership.

This thesis is a result of inquisitive research in the fields of business sustainability, responsible leadership and business education. The contribution of this thesis may be critiqued as being 'superficial', given its attempt to interconnect such diverse and often disconnected fields. Yet, the particular strength of the approach attempted in this thesis here is indeed a holistic, inter-disciplinary and inter-connected generalist perspective that stands in some contrast to a more in-depth specialist perspective that is so often observed in doctoral studies of recent times. Notwithstanding, such a broad and holistic approach does come at the cost of having to delimit the study in many areas where further development of relevant detailed perspectives would and could further enlighten the discussion.

Such delimitations were indeed the accompanying concern of the writer during many of the years of research and remain to be subject of debate, which hopefully shall contribute to further enriching future debates in these important fields of research. In this vein, I would suggest further research in the following areas:
- **Responsible leadership:** can we use sustainability as a directional purpose and contribute with a meaningful definition of responsible leadership so that the thought leaders in the field may be willing to agree on a shared understanding of responsible leadership (not the case today and considered a hinderance to advance and establish the field, both in theory and practice)

- **Business sustainability:** how can the required (and presumed) voluntary actions of business be strengthened through regulatory measures on a national and global level? Can we observe advanced sustainability companies (BST 2.0 and 3.0) and generate a best practice platform enabling other companies to follow?

- **Developmental perspective:** could the Collaboratory offers a practice approach to bridge and connect individual and organizational development, using as an underlying philosophy the developmental perspective?

As a closing comment, I would like to express my gratefulness for the magic of inquiring into a new field of research and the thought-provoking, enriching and soul searching journey that has resulted from the encouragement of putting together what I have been thinking and writing about in the past years into a comprehensive and coherent pursuit of knowledge which resulted in the suggestion that there might be a need for a common space of sustainability and responsibility in order to enable the kind of organizational and personal development that truly stands in service of society and a better world.

My most sincere thanks to Jonathan Gosling and Sally Jeanrenaud at the University of Exeter for having encouraged me to push my reflections and considerations further, thus expanding my horizon and contributing to my learning journey. This thesis is but a step in a hopefully never-ending such journey and having companions on the road often less travelled is not only necessary but also a true joy of life. Thank you!

Katrin Muff, November 2015
References:


APPENDICES

Appendix 1: Statement of contribution for articles with co-authorship

Appendix 2: English Summary of Anna Liechti’s Responsible Leadership Grid
APPENDIX 1

Statement of contribution for articles with co-authorship

Please find attached the following signed declarations of joint-authorship:

**With Thomas Dyllick, University of St. Gallen:**


- An Organizational Roadmap for Business Sustainability (Muff, Katrin, Dyllick, Thomas), in review process with the Journal of Applied Corporate Finance, 2015


**With Mohammed Munif, Business School Lausanne**


**With Frederic Narbel, Business School Lausanne**


**With Mary Mayenfisch, Business School Lausanne**

- “The Right Attitude” as a Key Hiring Criterion For Graduate Students in Switzerland (Muff, Katrin, Mayenfisch-Tobin Mary), in: Psychosociological Issues in Human Resource Management PIHRM 2(2), 43-55, 2014
Appendix

Co-author's declaration regarding nature and extent of contribution for articles with joint authorship

I, Katrin Muff, and I, Thomas Dyllick, herewith confirm that we have worked as co-authors in the following articles


2. "An Organizational Roadmap for Business Sustainability", in review process with the Journal of Applied Corporate Finance.


Katrin Muff has contributed to the articles extensively by contributing to the key ideas developed in the articles, providing insight to the underlying intellectual frameworks and concepts including also the literature reviews, and in particular being an active partner in developing the very essence of the scholarly contribution of the articles. Katrin Muff has also contributes extensively to the writing process, including reviewing, commenting, rephrasing of sentences, paragraphs or sections and was instrumental to the completion of the articles and their contribution to the body of knowledge.

Signed,

Katrin Muff, Lausanne, 29 May 2015

Thomas Dyllick, St. Gallen, 1 June 2015
Appendix

Co-author's declaration regarding nature and extent of contribution for articles with joint authorship

I, Katrin Muff, and I, Munif Mohammed, herewith confirm that we have worked as co-authors in the following article


Katrin Muff has contributed to the article extensively by contributing to the key ideas developed in the article, providing insight to the underlying intellectual frameworks and concepts including also the literature review, and in particular being an active partner in developing the very essence of the scholarly contribution of the article. Katrin Muff has also contributes extensively to the writing process, including reviewing, commenting, rephrasing of sentences, paragraphs or sections and was instrumental to the completion of the article and its contribution to the body of knowledge.

Signed,

Katrin Muff, Lausanne, 29 May 2015

Munif Mohammed, Sydney, 3rd June, 2015
Appendix

Co-author’s declaration regarding nature and extent of contribution for articles with joint authorship

I, Katrin Muff, and I, Frederic Narbel, herewith confirm that we have worked as co-authors in the following article


Katrin Muff has contributed to the article extensively by contributing to the key ideas developed in the article, providing insight to the underlying intellectual frameworks and concepts including also the literature review, and in particular being an active partner in developing the very essence of the scholarly contribution of the article. Katrin Muff has also contributes extensively to the writing process, including reviewing, commenting, rephrasing of sentences, paragraphs or sections and was instrumental to the completion of the article and its contribution to the body of knowledge.

Signed,

Katrin Muff, Lausanne, 29 May 2015

Frederic Narbel, Petit-Lancy, 2 June 2015
Appendix

Co-author's declaration regarding nature and extent of contribution for articles with joint authorship

I, Katrin Muff, and I, Mary Mayenfisch, herewith confirm that we have worked as co-authors in the following article

"The Right Attitude" as a Key Hiring Criterion For Graduate Students in Switzerland (Muff, Katrin, Mayenfisch-Tobin Mary, 2014, in the Psychosociological Issues in Human Resource Management PIHRM 2(2), 2014, 43-55)

Katrin Muff has been instrumental in writing the article, having lead the project as key author and extensively contributing to the key ideas developed in the article, providing insight to the underlying intellectual frameworks and concepts including also the literature review, and in particular being an active partner in developing the very essence of the scholarly contribution of the article. Mary Mayenfisch has contributes to the writing process, including reviewing, commenting, rephrasing of sentences.

Signed,

Katrin Muff, Lausanne, 29 May 2015

Mary Mayenfisch, Lausanne, June 2, 2015
APPENDIX 2

English Summary of Anna Liechti’s Responsible Leadership Grid

http://www.nachhaltigkeit.unisg.ch/~media/internet/content/dateien/instituteundcenters/nh/masterarbeit_anna%20liechti_08606733.pdf?fl=en

In her Master Thesis entitled “Are Collaboratories an effective method to develop responsible leaders?”, Anna Liechti started with a literature review of responsible leadership in order to develop a responsible leadership grid which served her to evaluate the effectiveness of the ‘Collaboratory’ methodology.

The competency grid with these two axes was developed by using a three-step methodology.

In a first step, Liechti defined the term ‘responsible leadership’ summarizing the most relevant definitions in literature and selecting the five competency dimensions as the greatest common denominator. Her research question led her to determine which competencies characterized a responsible leader. She collected 68 sub-competencies as a result of her detailed literature review which she summarized into five central elements of responsible leadership (RL).

These elements led to her suggested definition of responsible leadership as follows:

“A responsible leader possesses an advanced understanding of the interdependencies of the system and the own person, is recognized through an ethical and values-based attitude, is able to build long-term relations in particular with stakeholders and to take into account their needs, and advances change towards sustainable development”

(Liechti, 2014: 6).

Liechti points out that the concept of responsible leadership seeks to close gaps in current leadership theories. Referring to Muff et al. (2013, p. 27-28) she summarizes that RL differentiates from traditional leadership in three aspects: a) in RL the terms follower is more broadly defined by including stakeholders outside the boundaries of the organization, b) RL seeks to create value for other
stakeholders and society as a whole rather than just for oneself and one’s organization (there are some overlaps with the concept of ‘servant leadership’ which is however limited to the context within an organizational boundary), c) in RL the relationship between a responsible leader and others is values-based and oriented according to principles of ethics, with responsible leaders acting as role models for others. Pless & Maak (2011, p. 7) point out a similarity of RL with authentic leadership with both theories pointing out the importance of consciousness-of-self and self-control. RL goes however far beyond this aspect, with a responsible leader not only being conscious of her own values and emotions but also being able to reflect and adjust these. There are also other such overlaps with other leadership theories, however Liechti suggests that the concept of RL is in many ways broader, more extensive and holistic.

In a second step, Liechti clarified the meaning of ‘competency’ in terms of responsible leadership building on previous work by Euler and Hahn (2007: 78), who suggest that leadership is composed of three action dimensions (“Handlungskompetenzen”), namely knowledge, skills and attitudes. These competency dimensions reflect a carefully developed aggregate of the best thinking in this domain to date.

In a third step, Liechti considered and evaluated existing models of responsible leadership (Dassah, 2010, p. 33; GRLI, 2005, p. 18; Maak and Pless, 2006, p. 44-48; Marquardt and Berger, 2000, p. 17-32; Muff et al., 2013, p. 33; Pinney, Kinnicut and Spencer, 2010, p. 162-169; Sterling and Thomas, 2006, p. 362, 363; Svanström, Lozano-Garcia and Rowe, 2008, p. 350; Wiek, Withycombe and Redman, 2011, p. 207-2011; Wilson, Lenssen and Hind, 2006, p.20) as well as further relevant contributions (Muff, 2012; Scalberg, 2005; Shraa-Liu and Trompenaars, 2006; Vögtlin 2011; Wade, 2006,) to develop her own model of responsible leadership. It should be mentioned that Liechti’s model does not include a separate action competency for sustainability, which is considered as being integrated in all other dimensions.

The resulting competency grid suggests five competency and three leadership dimensions (see Figure 1):
- **The leadership dimensions**: a) knowing, b) doing, and c) being, also referred to as ‘knowledge-skills-attitudes’ (Euler and Hahn, 2007, p. 78), derived from German “Handlungskompetenzen”

- **The competency dimensions**: a) stakeholder relationship skills, b) ethics and values, c) self awareness, d) systems thinking, e) actor for change and innovation.

<table>
<thead>
<tr>
<th>Action competencies (columns)</th>
<th>Knowing (knowledge)</th>
<th>Doing (skills)</th>
<th>Being (attitudes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competency dimensions (rows)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder relations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics and values</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-awareness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems thinking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change and innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1: The Responsible Leadership Competency Grid (Liechti, 2014)**

Liechti defines the competencies in each of the five dimensions as follows:

Competencies in **stakeholder relations** include in the area of knowledge methods to identify and integrate legitimate stakeholder groups, seeing conflict as a foundation for creativity, and dealing with conflicting interests of stakeholders. Skills include initiating and moderating a dialogue (including authentic and precise communication, working with others and active listening), respecting different interests to find a consensus (including one’s impact on others, respecting other opinions and concerns and constructive resolution of conflict), and developing long-term relationships (including building trust with others and being empathic). Attitudes cover being empathic with a desire to help others, being open and trustworthy, and appreciating the positive in diversity.

Competencies in **ethics and values** include in the area of knowledge knowing what is right and wrong, knowing your own values, and understanding dilemmas. Related skills include critically questioning and adapting values, acting according to ethics and own values, and being a role model (including ethical aspects in decisions and dealing with ethical dilemmas). Attitudes cover being honest and integer, seeking fairness, and being responsible towards society and sustainability.
Competencies in **self-awareness** include in the area of knowledge understanding the importance of reflection in the learning process, self-knowledge (including own emotions, interests, needs and mental models), understanding one’s own strengths and weaknesses. Related skills include the ability to learn from mistakes, reflecting behavior, mental models and emotions (including identifying and accepting own strengths and weaknesses), and the ability to change the communication style (including consciously using one’s emotions in an effective way). Attitudes cover a willingness to reflect about oneself, a willingness to reflect about one’s own behavior, and an ability to share one’s own developmental challenges.

Competencies in **systems thinking** include in terms of knowledge understanding the interdependencies, functioning and connections of the system, and using the sustainability challenges and opportunities. Skills include the ability to deal with complexity and ambiguity (including working across disciplines), estimating intended and unintended consequences of own decisions on the system, seeing the big picture rather than the parts and identifying interconnections. Attitudes cover a long-term perspective, and a trans-generational perspective.

Last but not least, competencies in **change and innovation** include in terms of knowledge, understanding the significance of a motivating vision in a change process, the drivers and enablers of innovation and creativity, and understanding the conditions, functioning and dynamics of change processes, understanding the dynamics. Skills include developing creative ideas (including out-of-box thinking, thinking ahead, in a visionary manner and advancing innovations), acting to bring about change and translating ideas into action, questioning the status-quo and identifying steps of change for a sustainable future. Attitudes cover being open, curious and courageous, being flexible and adaptable for change, and being visionary in finding solutions for society’s problems (including being convinced of the public impact of action, and having endurance to finish initiatives).

**Bibliography**


