

Global VOICES

WHY POPULISTS BASH THE EURO AND THE ECB

MIGRANT ENTREPRENEURSHIP FOR EUROPE'S ECONOMIC GROWTH

SOCIAL RESPONSIBILITY: SEPARATING THE WALKERS FROM THE TALKERS

HAVE VOTERS FOUND A WAY OUT OF THE BREXIT IMPASSE?

Special
Europe

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THE DEANS OF THE COUNCIL'S MEMBER SCHOOLS



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ESSEC Business School, France, Asia-Pacific, Africa.

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

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



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School of Management, Fudan University, China

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

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



Dean Andy Lockett, Professor of Strategy and Entrepreneurship,
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"As a leading European business school at a world-class University, Warwick Business School is committed to developing ideas and people that shape how we do business. We believe in the power of education to create the leaders the world needs to tackle societies' great challenges, such as global warming, ageing populations and increasing inequality."

Dean Andrew Burke,
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"We are the business school at the heart of a World renowned research-led university located at the centre of a European capital city and hub for global business. Our approach to education encapsulates this nexus of international research and industry expertise in a project-based approach where impact on both business and society are key. We are evolving from encouraging our students to graduate with a 'moral compass' to actually take a step further in order to excel at 'ethical leadership beyond the realm of the organisation' and so to develop business strategies that encourage ethical attitudes among consumers and investors. Our vision is that as this goal is achieved then even firms/governments who have little concern about issues such as fair trade, child labour, and climate change will find themselves increasingly compelled by market forces/votes to behave ethically."



/Editorial

By Guest Editor Warren Manger, Warwick Business School, United Kingdom



Winston Churchill famously championed the EU as “the re-creation of the European family” after the horrors the Second World War. That family now stands on the brink of a messy divorce.

Brexit has dominated the headlines in the UK for more than three years, yet it continues to divide both politicians and the public. There remains no consensus on what Brexit means nor what Britain’s relationship with Europe should look like after it leaves, if indeed it ever does.

The deadlock has left businesses and millions of workers, not to mention British business schools, in limbo. As our own Nigel Driffield, Professor of International Business, observed: “Clearly politicians are desperate for this to be over, but in terms of trade and investment, this is just the start of five to ten years of uncertainty and negotiations.” It has also pushed other vital discussions such as climate change, now recognised as a state of emergency by the British and Irish governments, into the background.

Faced with such challenges, it is vital that businesses – and business schools – continue to reach out to their partners around the globe. Therefore, it gives me great pleasure to welcome two new European members to the Council on Business and Society, in the form of Trinity College business school in Dublin and IE in Spain. Our rapidly expanding network is bringing together like-minded people worldwide to use education, entrepreneurship, and business for the common good.

We have already seen business leaders, motivated by the triple bottom line, providing the kind of ethical leadership we might desire of our politicians. Many CEOs put principles before profit to boycott Future Investment Initiative conference in Saudi Arabia following the murder of journalist Jamal Khashoggi last year. There is a growing focus on environmental sustainability too, with fund managers putting pressure on oil companies to end their focus on fossil fuels. Businesses must continue to take such positive steps if they are to play their part in addressing the key challenges we face as a global community. That is the focus of the Council on Business and Society and its member schools. Our research, a small selection of which is included in this issue, can provide the blueprint for a brighter future. Our students will be the next generation of business leaders with their commitment to corporate social responsibility and their determination to change the world. If Brexit has opened Pandora’s box, we must strive to be the hope that heals the divisions it has caused. You can be part of that vision by following us on Twitter at @The_CoBS, visiting our Council Community blog, or exploring our website at www.council-business-society.org and our many publications on business at the crossroads of society.

Kind regards,

Warren Manger



Warren Manger
Warwick Business School
Global Voice Guest Editor

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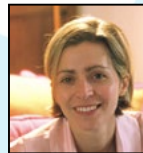
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Brains that have Brawn

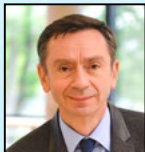
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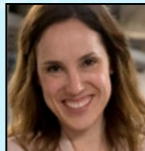
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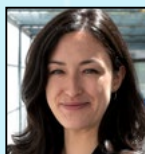
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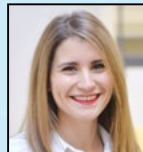
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BUSINESS & SOCIETY

TAKING A MORAL STAND



Prof. Hari Tsoukas of **Warwick Business School** dissects a controversial protest against racial injustice to highlight the role of responsible leadership at individual and corporate levels.

From the paper "When taking a moral stand is worth the risk for leaders", Haridimos Tsoukas.

ON 18TH SEPTEMBER 2016, football fans thronged at the Bank of America Stadium in North Carolina, all charged up to witness a nail-biting game between the San Francisco 49ers and Carolina Panthers. But what was not anticipated was the drama

that unfolded even before the game had begun. Two of the San Francisco 49ers – Colin Kaepernick and Eric Reid – refused to stand during the playing of the national anthem. They knelt down as a protest against racial injustice and police brutality. Not sur-

prisingly, this sparked quite a fierce backlash from football fans, the allegedly patriotic media, and even the President himself. Reid and Kaepernick had unleashed a wave of massive frenzy upon themselves: how were they planning to handle it?



TAKING THE ROAD LESS TRAVELLED

Racial discrimination has long permeated American society, and this was not the first time that athletes have stepped forward to take a stand against such injustice. But this time, the protest somehow got rebranded as a protest of the American flag and came to be regarded as a sign of disrespect towards the country and its armed forces. President Trump urged the NFL (National Football League) to suspend or fire players involved in the protest. When the NFL dropped both players from league matches, Kaepernick and Reid filed a collusion grievance against the NFL, accusing the organisation of blacklisting them.

Fast forward to the next season, and we see Reid getting reinstated and signing up for the Carolina Panthers. On the other hand, however, our star quarterback with a huge fan following decides to take the road less travelled. Colin Kaepernick refused all offers, including a lucrative opportunity to join the Alliance of American Football. He decided to stay on and fight the power and influence of the NFL head on.

Kaepernick faced two clear choices in the aftermath of the controversy. He could either play it safe and stick to his profession in the strictly technical sense – or march ahead with the protest he had set into motion by 'taking the knee.' It is highly improbable that the world would have blamed him had he chosen to turn his back on the issue and conform. After all, Kaepernick is a footballer and not a politician. But Kaepernick chose

to show moral imagination and stand up for his values and beliefs. Being a footballer was not simply a question of technical expertise for him but, more broadly, living a certain sort of life – a life in which football is played in a society where equality prevails.

NIKE REIGNITES THE CONTROVERSY

In 2018, sports equipment manufacturer Nike sent massive shockwaves through the media by featuring Colin Kaepernick in its 30th anniversary ad campaign. The "Just Do It" TV commercials, print and digital pieces featured a series of uncompromising role models including Serena Williams, LeBron James and Colin Kaepernick. Dramatic black-and-white close-ups of an unrepentant Kaepernick appeared across billboards and in magazines across the US alongside the words: "Believe in something. Even if it means sacrificing everything. Just do it."

This added a new twist to the moral leadership debate. Nike's public support for Kaepernick resulted in an immediate fall of 3.9% in the value of the company's shares. It provoked a Twitter storm including several tweets from the President himself. One of Trump's particularly fuming tweets read: "Nike is getting absolutely killed with anger

and boycotts. I wonder whether they had any idea it would be this way? So far as the NFL is concerned, I just find it hard to watch, and always will, until they stand for the FLAG! The hashtag #NikeBoycott went viral along with messages from people saying they were going to burn their Nike sneakers or cut the swoosh logo off their socks – all because Nike had chosen to defend Kaepernick's cause.

But here's the point. Although sales dipped initially, they bounced back soon enough. By mid-September Nike's stock had reached an all-time high. It started posting substantial gains in sales revenues too. Clearly there was a group of customers who could identify with Nike's stance and contributed to the cause in their own way through the purchase of Nike products. Since the "Just Do It" campaign was launched in September 2018, Nike's online sales have taken off and have, so far, risen 31% according to a leading e-commerce analyst.

Nike's decision affirmed Kaepernick's position and strengthened his hand in the ongoing collusion lawsuit against the NFL, since Nike happens to be the governing body's main corporate partner since 2012. But the most important outcome was probably the fact that as the focus of the debate shifted to the corporate world, it polarised public

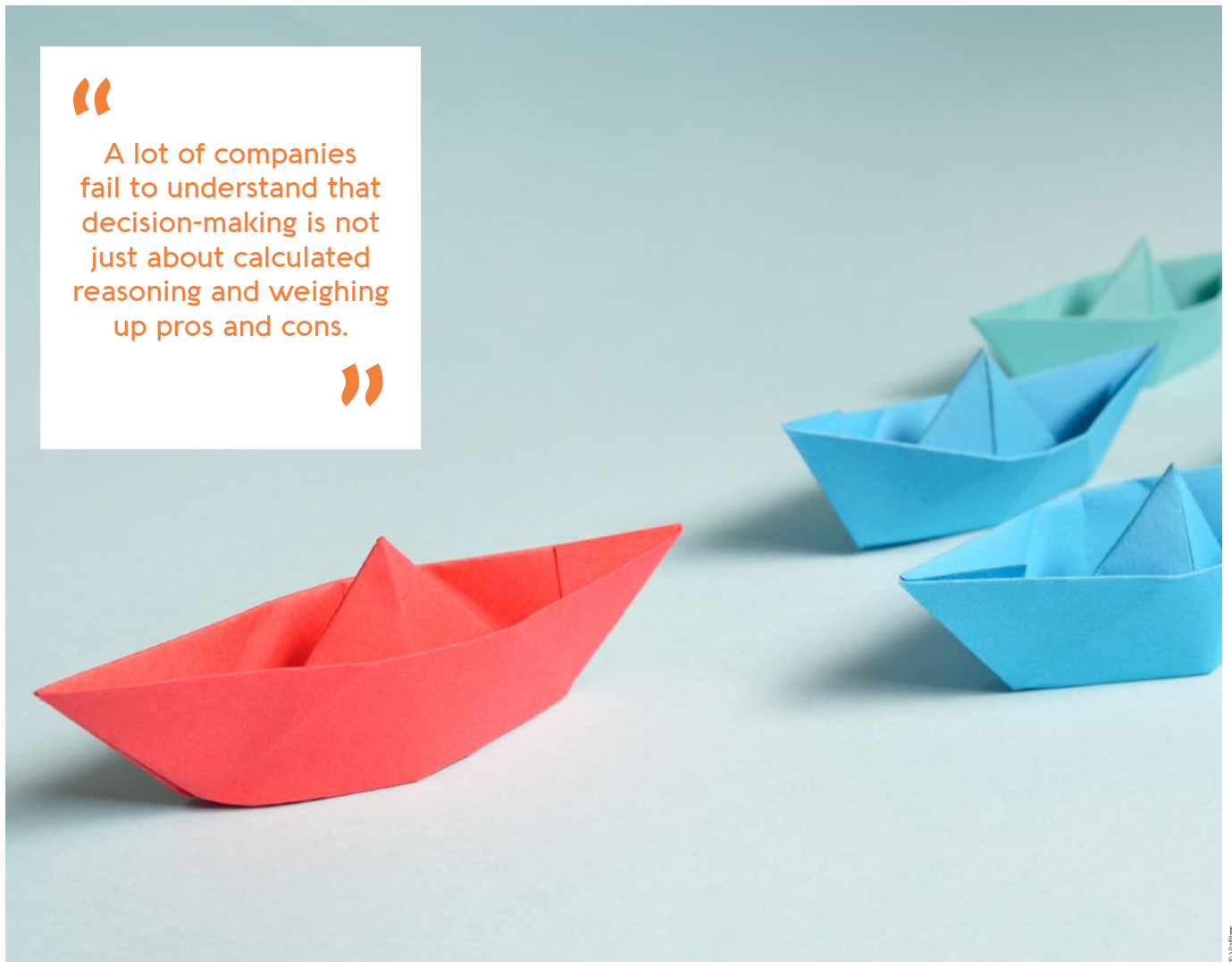


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A lot of companies fail to understand that decision-making is not just about calculated reasoning and weighing up pros and cons.

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opinion and re-opened the debate over racial discrimination. In February, the NFL and Kaepernick settled their long-running dispute out of court. Taking into account lost salary and legal costs incurred, the athlete's settlement could have been in the region of tens of millions of dollars. The NFL's president of communication and public affairs issued the following statement: "We embrace the role and responsibility of everyone involved with this game to promote meaningful, positive change in our communities. The social justice issues that Colin and other professional athletes have raised deserve our attention and action."

MORAL LEADERSHIP AS A CORPORATE MASTER STROKE

Nike took an uncompromising moral stand by featuring Kaepernick in its advertising campaign. While this sparked some outrage in the beginning, there were also a lot of

people who identified with Nike's decision. This goes to show that when a company takes on a leadership role which combines moral imagination with moral responsibility, it can make a positive difference to public perceptions. In the end, it was a risk worth taking for Nike because it strengthened its brand image by highlighting the company's values yet again.

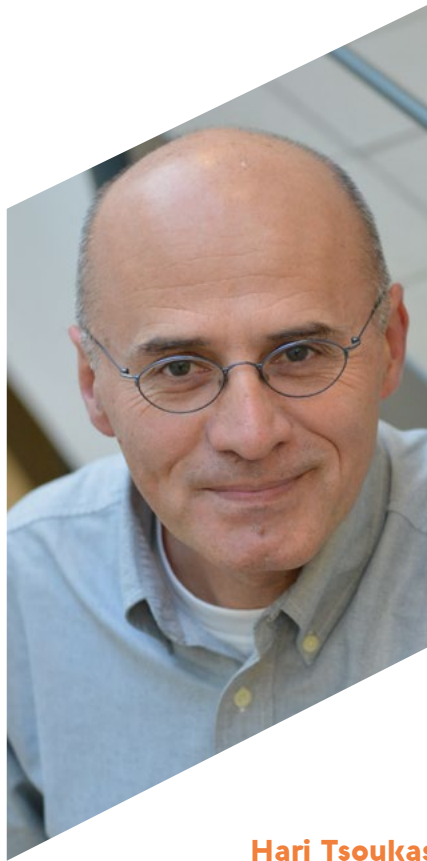
Nike's position was that it wanted to unite people, not to divide them. And the company saw that the best way of achieving this was to take an unbending stand, which, over time, would replace the immediate outrage over Kaepernick's principled protest. A lot of companies fail to understand that decision-making is not just about calculated reasoning and weighing up pros and cons. Had that been the case, all decisions could very well be taken by robots. A decision expresses an existential outlook – how you see your role in your work. Sometimes, it is necessary to take a leap of faith based on strong moral considerations – just like

Nike did. Kaepernick's and Nike's principled stance widens our sense of professional and business responsibility – it is not only what we do but, more critically, why we do it.

SACRIFICING VALUES IS NEVER AN OPTION

Kaepernick's dispute with the NFL tells us that there are no unambiguous distinctions between having strongly held personal beliefs and expressing them in public. This young man redefined his role as an athlete by taking moral considerations into account. Kaepernick and Reid are much more than team players: they undertook a leadership responsibility. Their high profile protest encapsulates the concept of moral responsibility and should serve as a shining beacon not just for other athletes and black people, but also for employees in any organisation. Irrespective of our professions, we must learn to probe ourselves with the question "How am I fulfilling my role?"

Nike took a moral stand, just like these two athletes, with its campaign featuring Kaepernick. It was quite a gamble and they had undoubtedly anticipated that the campaign's ripple effect would include a boycott from the opposition. But they took a calculated risk and the campaign ultimately solidified Nike's dedicated customer base. This goes to show that purpose can never be driven away from business or any job. Insofar as this is the case, purpose forces leaders to think about values, responsibility and, ultimately, the meaning of life.



Hari Tsoukas



WHEN A COMPANY TAKES ON A LEADERSHIP ROLE WHICH COMBINES MORAL IMAGINATION WITH MORAL RESPONSIBILITY, IT CAN MAKE A POSITIVE DIFFERENCE TO PUBLIC PERCEPTIONS.

A LOT OF COMPANIES FAIL TO UNDERSTAND THAT DECISION-MAKING IS NOT JUST ABOUT CALCULATED REASONING AND WEIGHING UP PROS AND CONS.

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NIKE'S PRINCIPLED STANCE WIDENS OUR SENSE OF PROFESSIONAL AND BUSINESS RESPONSIBILITY - IT IS NOT ONLY WHAT WE DO BUT, MORE CRITICALLY, WHY WE DO IT.

WE MUST LEARN TO PROBE OURSELVES WITH THE QUESTION "HOW AM I FULFILLING MY ROLE?"

PURPOSE CAN NEVER BE DRIVEN AWAY FROM BUSINESS OR ANY JOB. PURPOSE FORCES LEADERS TO THINK ABOUT VALUES, RESPONSIBILITY AND, ULTIMATELY, THE MEANING OF LIFE.

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WHY POPULISTS BASH THE EURO AND THE ECB



Radu Vranceanu, Professor of Economics at **ESSEC Business School**, looks at the track record of the euro and the European Central Bank as a counterweight to the rise in European populism.

THE RISE OF THE MIRACLE-MAKERS

THE EURO AREA ECONOMIES were deeply affected by the Global Financial crisis of 2007-2009, which further acted as a catalyst for the euro-sovereign bond crisis of 2010-2012. The other member countries of the European Union (EU) also had to cope with difficulties, as the EU economy is deeply integrated, in terms of exchanges of

goods and services, supply chains and capital markets.

The weak economic performance of the region mainly in terms of high unemployment and sluggish growth, combined with fears of uncontrolled immigration from the Middle East and Africa – as was the case in 2015 – were at the origin of a rise in populist political parties that surfed on these worries. These parties exploit the fears of the ci-

tizens and will offer solutions that have little economic feasibility. Most of them involve huge public spending initiatives, absurd regulations, miracle solutions (“that no one has imagined before”), which they package and deliver in a nationalistic rhetoric. Moreover, traditional parties have their populists too – if by populists we understand all those who claim they can manage the economy while paying lip service to the principles of economics.

From the Lega (former Lega Nord) (Italy), to Rassemblement National (France), and Alternativ fur Deutschland (AfD), FPÖ (Austria), including Vox in Spain, and others, all these parties have now a non-negligible electoral base, are represented in governing bodies, and even participate in ruling the country. If immigrants are identified by the populists as the fundamental threat to the EU citizens' well-being and identity, immediately next to it the other major risks for national well-being would be trade liberalization and the single currency.

THE EURO: TRACK RECORD

The euro was created in 1999 by eleven countries; since then, eight other EU countries joined the European Monetary Union. A new central bank, the European Central Bank (ECB) took in charge the monetary policy of the euro block.

Since its creation, the ECB has delivered on its main mission to maintain price stability in the euro area, and, by so doing, to create an economic environment supportive to growth. There is nothing more harmful to sustainable development than fluctuating and uncertain inflation. The main goal of the ECB is to maintain the inflation rate below, but close to 2%, in the medium run. In the last 20 years, the inflation rate has been close to the target, at a lowly 1.8%.

All in all, the ECB has coped in a successful way with the large macroeconomic and financial shocks that hit the euro area after 2007. It provided liquidity to banks in a period of high uncertainty, and helped them overcome temporarily difficulties, brought down to zero the main (short-term) interest rate to stimulate loans and investment, undertook an efficiency quantitative easing campaign that helped reducing long term interest rate, and provided liquidity to banks under long term refinancing operations. The euro itself has supported the economic integration of the area and growth, a main desideratum of European peoples, as required by the Treaty on the European Union.

While some populist parties might have a pro-business and pro-market attitude (Austria, Spain) many populists are very critical of the ECB. Outside of Germany, they often present the ECB as a German domination device through which Germany imposes its



austerity on all countries. At the same time, the AfD in Germany would rather present the ECB as soft lender to weak foreign

banks, that expropriates German savers and exposes them to excessive financial and inflation risks.

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It is not the strength of the euro that should be criticized, but the lack of progress in labour market reform and the weakness of competition in many markets.

”

These allegations are obviously false, yet one can understand how they can flourish given the complexity of the task of the ECB to manage monetary policy for 19 countries with a very different economic structure, labour market and macroeconomic policies.

Populists need archetypal enemies, on which to focus their criticism, and make the more naïve electors believe that by following the recommend course of action, all their problems will vanish. As a wealthy, efficient, competent and independent institution, the ECB is a perfect target for populists.



SOMETIMES TOUGH – BUT NECESSARY

Like other important central banks, the ECB benefits from substantial autonomy and independence that it has used efficiently in steering short-term interest rates, without responding to populist calls, and fulfilled without a glitch its mission to maintain price stability.

Furthermore, the implementation of non-standard measures after 2007 (quantitative easing, forward guidance, long term refinancing operations, the tax on reserves) proved the ability of the ECB to implement atypical measures when the pursuit of the price and financial stability goals required it.

For instance, it is legitimate to believe that Mario Draghi, the President of the ECB between 2011 and 2019, ended the sovereign debt crisis when it approved the Outright Monetary Transaction mechanism in 2012. At that time, his commitment “to do whatever it takes to rescue the euro, within the mandate of the ECB” was trusted by investors, and financially distressed governments found a way out of what seemed to be a path to sovereign default. On the other hand, the programme extended the scope of action of the ECB beyond what observers would have considered as normal in 1999, since the ECB can now, under very strict conditions, buy bonds from financially distressed governments. It is true that, before agreeing with Mario Draghi’s move, the German government required that all euro member countries set their house in good order by committing to avoid aberrant deficits in good times, and to reduce the level of public debt

to sustainable levels. This put an end to the unsustainable spending policies launched in 2008, and a tightening of the fiscal stance, that populists on all boards commented on as an attack to the “sovereignty” of their countries. In Germany, populists argued rather that the ECB was guaranteeing the debts of bankrupt governments and exposing German savers to unbearable risks. In fact, the simple existence of this policy brought interest rates on treasury bonds down to normal levels (for instance in Spain and Italy), and calmed down investors’ fears and restored stability: the policy never had to be implemented.

To carry out any extravagant spending plans, populists need money. In the past, they could just borrow. Alas, after the global financial crisis, any country running an absurd fiscal trajectory risks to see interest rates exploding. Thus, the only nice source of funds would be to have them printed by the central bank, which is clearly not an option today. Without surprise, many populists have the hidden or declared dream of pulling their country out of the euro, and taking control over monetary policy, most probably to print domestic currency, in a Venezuela-style macro-stability. Unfortunately, the rising power of populism in Europe might make investors doubt the credibility of the ECB and an additional risk premium might appear. In turn, this would be another cost for the whole euro area, possibly reinforcing populists, in a vicious circle.

COMPETITION IS STRENGTH – NOT LIKED BY ALL

Despite the pro-European rhetoric of many “traditional” governments, before the euro crisis the project of a European banking union never could be implemented. National banking sectors were organized as relatively tight oligopolies, as attested by their frequent abuses of market power. Governments





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blocked any attempt of cross-border merger and protected their “national banking champions”. The crisis revealed that these national oligopolies were extremely fragile, as living in their comfort zone prevented innovation and made them take excessive risks by investing in assets that proved to worth little – such as Greek bonds or US mortgage-based complex structured products.

After the crisis, the idea according to which banking competition at the EU level would increase the resilience of the sector slowly made its way out. Thus, after many hesitations, the European banking union was created in 2014, and all large European banks were placed under the supervision of the ECB. This move infuriated the populists who saw another source of influence and indirect control on the economy vanishing. Now, because banks have nothing to expect back from the government, they will be more reluctant to buy the government’s paper should the latter begin to derail. When in January 2019 the ECB in its regulator role asked Italian banks to take more efficient measures to clean up their bad loans, a prominent government member commented that the ECB was “attacking” the banking sector, causing “instability” and “hitting savings”.

EASTERN HESITATIONS

All EU member countries (except for the UK and Denmark) have committed to join the euro, and all the “rich” EU members (but Sweden) did so. Contrary to the Baltic states who all have adopted the euro, many Eastern European countries are now attempting to postpone the official adoption of it (Poland, Hungary, etc.). Populist demagoguery sometimes fuels this delaying tactic. It is claimed that by joining the euro, these weaker countries will lose a useful adjustment mechanism: devaluation would support growth in crisis times.

This argument neglects the fact that the euro already circulates as money in these economies, and most prices, loans or wages are indexed to the euro. In this case, currency depreciation only destroys balance sheets and further strengthen the crisis. A more plausible motive for postponing the decision to join the euro, moreover, is related to governments in these countries playing the political cycle and impose loose monetary policies when elections come close.

STREET CRED'

Facing the populists' demagogical criticism, Mario Draghi, the President of the ECB, recalled in October 2018 that the most important asset of a central bank, and the best guarantee for price and financial stability, is its credibility. He urged legislators to further protect the independence of the bank: the latter should be insulated from fiscal or political influences and should be free to choose the most appropriate instruments to deliver on its mandate. On the other hand, the ECB has improved its accountability after 2007, but there is room for progress.



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In the US, the Fed is accountable to Congress. On the other hand, the ECB is accountable to the European Parliament, an institution that is much weaker, both in terms of political weight and expert skills. However, it is true that the ECB's direct communication toward the public is of an excellent quality.

In the future the ECB will hopefully move toward the "normalization" of monetary policy. It will have to unwind non-conventional measures mainly by reducing its balance sheet, and probably carry out a gradual increase in interest rates. Populists will no doubt have a new reason to shout. Reasonable people must support our central bank. If we take seriously the challenge of fostering growth and firms' competitiveness, it is not the strength of the euro that should be criticized, but the lack of progress in labour market reform and the lack of competition in many markets.



Radu Vranceanu



WEAK ECONOMIC FUNDAMENTALS OF THE EUROPEAN REGION, COMBINED WITH FEARS OF UNCONTROLLED IMMIGRATION FROM THE MIDDLE EAST AND AFRICA HAVE GIVEN RISE TO POPULIST POLITICAL PARTIES THAT TEND TO EXPLOIT PEOPLE'S FEARS AND OFFER "MIRACLE SOLUTIONS".

SINCE ITS CREATION, THE ECB HAS DELIVERED ON ITS MAIN MISSION TO MAINTAIN PRICE STABILITY IN THE EURO AREA, AND, BY SO DOING, TO CREATE AN ECONOMIC ENVIRONMENT SUPPORTIVE TO GROWTH.

AS A WEALTHY, EFFICIENT, COMPETENT AND INDEPENDENT INSTITUTION, THE ECB IS A PERFECT TARGET FOR POPULISTS WHO REQUIRE "ARCHETYPAL ENEMIES" ON WHICH TO FOCUS THEIR CRITICISM.

THE ECB ENDED THE SOVEREIGN DEBT CRISIS WHEN IT APPROVED THE OUTRIGHT MONETARY TRANSACTION MECHANISM IN 2012. THE SIMPLE EXISTENCE OF THIS POLICY BROUGHT INTEREST RATES ON TREASURY BONDS DOWN TO NORMAL LEVELS (FOR INSTANCE IN SPAIN AND ITALY), AND CALMED DOWN INVESTORS' FEARS AND RESTORED STABILITY.

POPULIST ATTEMPTS TO DELAY OR PULL OUT OF THE EURO ARE PROBABLY DUE TO THE ECB'S POLICY THAT REMOVES THE POSSIBILITY FOR THEM TO ENGAGE IN UNCONTROLLED BORROWING, PRINT MONEY TO FINANCE DEFICITS, AS WELL AS EMPLOY LOOSE MONETARY POLICIES AT ELECTION TIME TO WIN VOTES.

IN 2018, MARIO DRAGHI, PRESIDENT OF THE ECB, STATED THAT CREDIBILITY WAS THE ECB'S GREATEST ASSET AND IT SHOULD BE PROTECTED FROM FISCAL OR POLITICAL INFLUENCES AND SHOULD BE FREE TO CHOOSE THE MOST APPROPRIATE INSTRUMENTS TO DELIVER ON ITS MANDATE.

FUTURE ECB POLICY MAY FOCUS ON THE "NORMALIZATION" OF MONETARY POLICY, REDUCING ITS BALANCE SHEET, AND UNDERTAKING A GRADUAL INCREASE IN INCREASE IN INTEREST RATES.

THE CHALLENGE OF FOSTERING GROWTH AND FIRMS' COMPETITIVENESS: THE STRENGTH OF THE EURO AND THE INDEPENDENCE OF THE ECB SHOULD NOT BE CRITICIZED, BUT RATHER THE LACK OF PROGRESS IN LABOUR MARKET REFORM AND THE LACK OF COMPETITION IN MANY MARKETS.

MIGRANT ENTREPRENEURSHIP FOR EUROPE'S ECONOMIC GROWTH: RESHAPING A COLLEC- TIVE CONCEPTION



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

MIGRATION AND PERCEPTION

FEW REGIONS IN THE WORLD

have experienced the pain and loss that comes with nationalism and the benefits brought by integration as acutely as Europe, over barely a century. In the 20th century, Europe, the cradle of Humanism and the En-

lightenment, saw some of the most horrible crimes ever committed by humankind within its territory. Immediately, the same Europe, in which millions had just died, was able to rebuild itself on the solid foundations of solidarity and a melted identity. The prosperity created by these values turned Europe into one of the most attractive migration destinations worldwide. Migrants took jobs

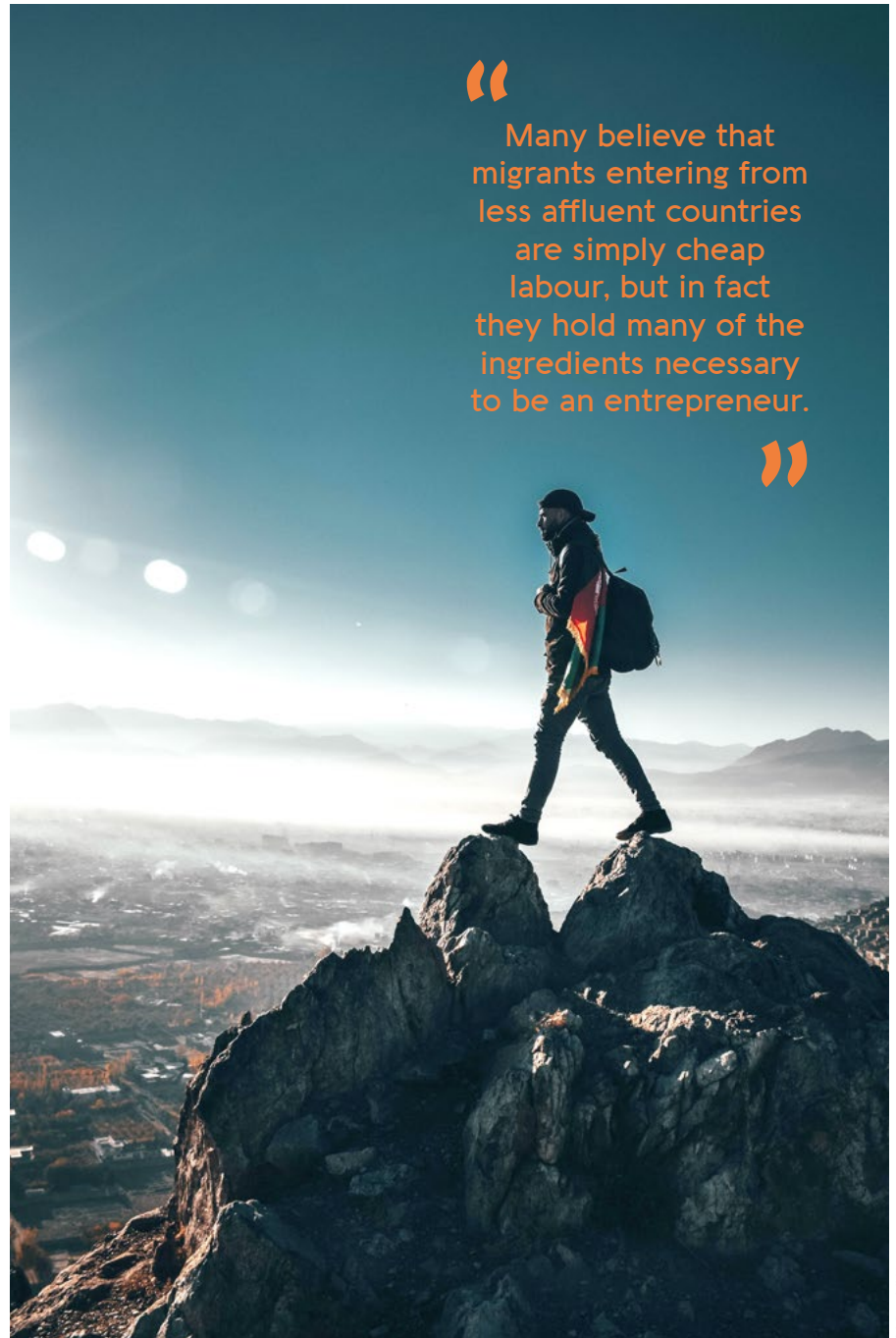
that 'needed to be done' and they created businesses that in turn generated additional jobs. Our economic growth in the face of ever-decreasing birth rates could have never happened without these migrants. Unfortunately, the pendulum might be oscillating backwards. Present generations seem not to remember lessons we learned in the hardest, saddest way.

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

ENTREPRENEURS BY BIRTH?

Many believe that migrants entering from less affluent countries are simply cheap labour, but in fact they hold many of the ingredients necessary to be an entrepreneur. Yes, an entrepreneur. Indeed, the prevalence of entrepreneurial activity among migrants is solidly established in literature (Hormiga and Bolívar-Cruz, 2014, Levie, 2007, Peroni et al., 2016). So much so that Migrant Entrepreneurship has become a research field in itself (Ram et al., 2017, Baycan-Levent and Nijkamp, 2009). The case of Europe is no different. Research in Spain, the UK, Germany, Luxembourg, and Sweden, to name a few countries, shows trends consistent with the statements above (Hormiga and Bolívar-Cruz, 2014, Levie, 2007, Mickiewicz et al., 2019, Peroni et al., 2016, Constant and Shachmurove, 2006, Efendic et al., 2016). Moreover, migration-related variables are better predictors of entrepreneurial activity in a region than other variables relative to economic conditions (Levie, 2007).

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



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

Another very poignant case is that of the brand Road to Damascus. Steve Ali, a Syrian entrepreneur, spent time in a jungle refugee camp in Calais before arriving to London, where he established the jewellery brand. Since beginning, the brand has received attention from figures in the fashion industry such as Vivienne Westwood. The high-fashion designer features on the brand's social medias pages holding a ring that Ali crafted made from a nail that was snapped off the wall of the Calais shelter.

The factors leading to greater participation of migrants in new business creation are varied. The migration experience seems to

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



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

ENTREPRENEURSHIP 2020

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

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

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

DIAMONDS IN THE ROUGH

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





Concepción Galdón

MIGRANTS TOOK JOBS THAT 'NEEDED TO BE DONE' AND THEY CREATED BUSINESSES THAT IN TURN GENERATED ADDITIONAL JOBS

IN TERMS OF ENTREPRENEURSHIP, AND PARTICULARLY IN THE CASE OF LESS AFFLUENT IMMIGRANTS, MENTAL MODELS SUCH AS EXTREMISM AND CLOSEDNESS LEAD TO SYSTEMS AND/OR POLICIES WHICH PREVENT THE FLOURISHING OF NEW BUSINESSES.

THE PREVALENCE OF ENTREPRENEURIAL ACTIVITY AMONG MIGRANTS IS SOLIDLY ESTABLISHED IN LITERATURE.

IMMIGRANTS, PARTICULARLY REFUGEES AND THOSE OF LESS AFFLUENT ECONOMIES, ARE OFTEN FORCED TO DEVELOP ENTREPRENEURIAL CHARACTERISTICS AS A MEANS OF SURVIVAL.

RESEARCH SHOWS THAT ATTITUDES TOWARDS MIGRANTS HAVE LESS TO DO WITH ECONOMIC VARIABLES AND ARE MORE RELATED TO THE FEAR OF CULTURAL IMPACTS ON THE RECEIVING NATION

MIGRATION IS AN UNRIVALLED TOOL TO ADVANCE THE SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS.



Laura McDermott

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SOCIAL RESPONSIBILITY: DISTINGUISHING THE TALKERS FROM THE WALKERS



Tanusree Jain, Professor in Ethical Business at **Trinity College Dublin Business School**, looks at how some firms use CSR for talk, while others actually walk the talk: an important test for any corporate stakeholder before getting involved with a firm.

First published in original version in The Irish Times under the title *Cheap talk can cost when it comes to social responsibility*

SHAREHOLDERS TODAY look towards firms not only to maximise financial returns but to do so while focusing on creating value for other societal stakeholders. But for Prof. Jain, while there are some companies doing an outstanding job at living these values, others often employ smart self-promotional material

with a view to greenwash themselves.

'Corporate social responsibility (CSR) and sustainability reporting has become mainstream and a sophisticated machinery of corporate communication and public relations professionals are involved to paint a credible picture of

businesses worldwide,' states Jain. Little wonder then that the 2017 Edelman Trust Barometer reported that only 37 percent of the 33,000 people questioned across 28 countries believed in the credibility of CEOs. Public trust in CEOs is at its lowest point in two decades or so.



CALL MY BLUFF

While there could be many reasons for falling public trust in CEOs, much of the scepticism is about integrity and the need for managers and leaders to walk the walk, asserts Prof. Jain. 'If some CEOs engage in cheap talk, the question is how can one confidently call their bluff? How do you differentiate between corporate communications that are genuine from those that represent mere public posturing?'

Tanusree Jain observes from her research that firms and their executives have a strong incentive to project an image that conforms to societal values and expectations. Pick up a CEO letter from a large global company and one can find in it a narrative that often goes beyond the bottom line to integrating CSR and sustainability in corporate functioning.

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If some CEOs engage in cheap talk, the question is how can one confidently call their bluff?

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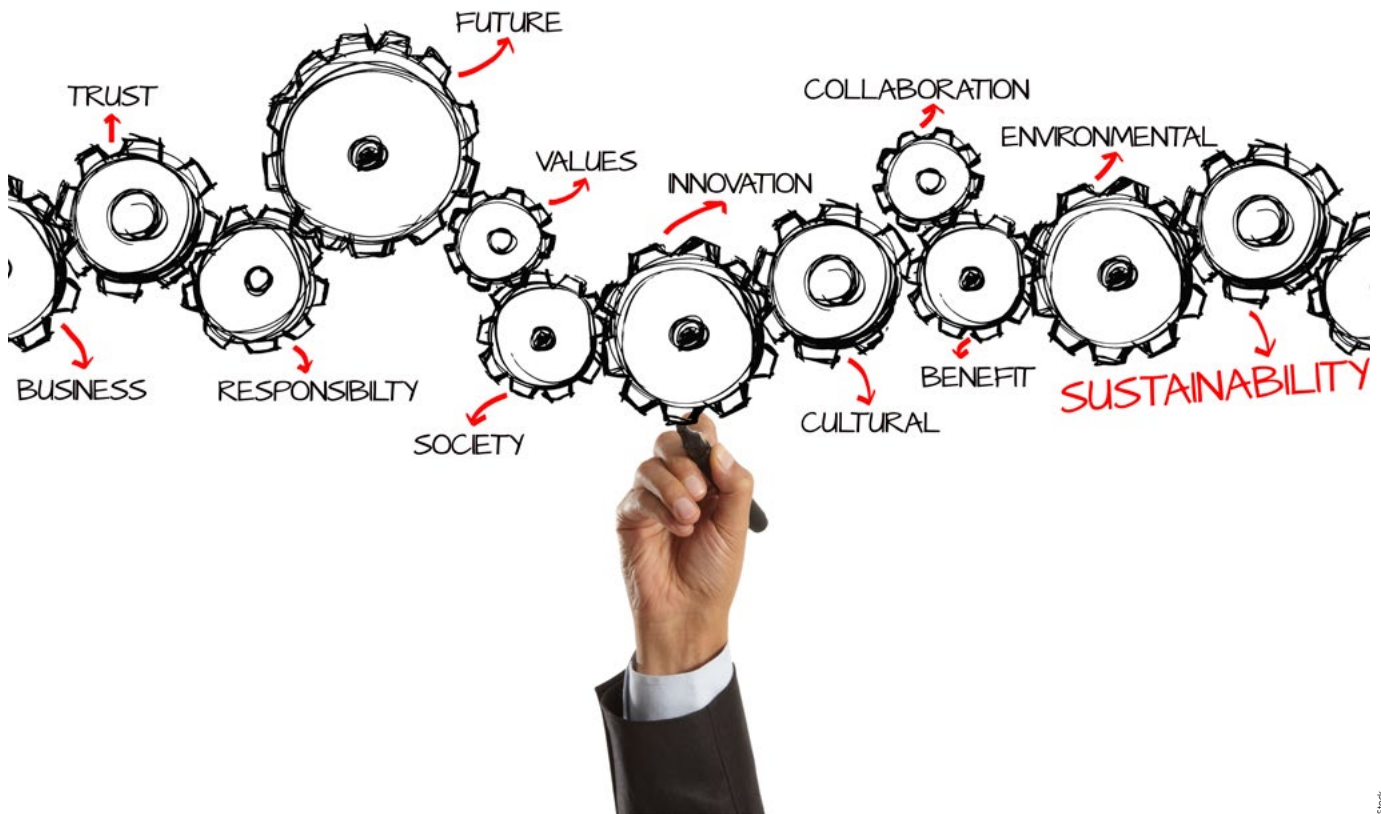
SEPARATING THOSE WHO TALK FROM THOSE WHO WALK

Clearly, says Jain, providing such information adds to the reputation of firms and establishes them as a green player. It gives them a social licence to operate.' However, she finds that when times are tough and firms face threats to their legitimacy, corporate narratives are likely to change. 'The emphasis moves to those issues that are critical to survival and independence, leaving out those that were meant only for the purpose of image creation in good times,' she states. 'Closely tracking inconsistent narratives over good times and bad, such as in case of financial

crisis or takeover bids, is telling in revealing cheap talk.'

Such behaviour is not surprising. When firms face threats that can endanger their survival, corporate leadership will obviously do all it can to alleviate that threat. Yet firms are likely not to compromise on their core values, be it customer service, sustainability, social mission, or even the maximising of profit for shareholders – irrespective of the ferocity of the threats they face. 'Take for example the case of Unilever,' adds Jain, 'the Anglo-Dutch consumer goods conglomerate, and its takeover of Ben and Jerry's, a gourmet ice-cream company with a strong social mission, in a \$326 million (€265 million) deal.





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When news of the potential takeover broke out, there were fears that Ben & Jerry's would become a soulless subsidiary of a large multinational. Weathering the storm, Ben & Jerry's kept up the pressure to save its underlying social mission and purpose, and intensified its efforts with a view to signalling what mattered most to the business in times of a crisis. The takeover did happen but, notably, a unique agreement was created between the two companies in which it was agreed that the acquired Ben & Jerry's would function as an independent entity with an independent board that would focus on the company's social causes, separate from Unilever's existing ice-cream business at the time.'

PEOPLE UNDERSTAND THE BENEFIT

'If we fast-forward 17 years,' continues Jain, 'Unilever itself was threatened with a \$143 billion (€116 billion) merger approach by Kraft Heinz, a rival US food company. Unilever's CEO Paul Polman, who joined the company in 2009, made strong statements on the issue of sustainability. He emphasised that Unilever was running not on a quarterly basis and that some of the challenges it

faced were more long term in nature. Polman believed that a merger with Kraft Heinz would result in a massive cost-cutting exercise to make Unilever financially viable for its new investors post-merger.

While Polman agreed that Unilever needed a cost-restructuring plan, he was quoted as saying: "I have to find a balance between not giving up on our long-term sustainable compounding model. Seventy per cent of our shareholders have been with us for seven years, and 85 percent of them say that sustainability is very important. They know that you need to have a responsible contract with society to take costs out of your system, to lower risk, to attract the right people. People understand the benefit."

Unilever successfully avoided the merger. For Prof. Jain, the underlying logic is that if a company perceives a specific stakeholder or stakeholder concern as critical, their executives will exhibit consistency in their communications towards them and intensify their efforts to find an agreeable solution, particularly in case of crises and threats.

Looking at how a corporate leadership narrative revolves and evolves on stakeholder issues before and during tough times can

help in separating the wheat from the chaff or, in this case, identify the genuine from cheap talk embedded in the avalanche of glossy communications that firms often produce. 'It's here,' asserts Prof. Jain, 'that an important lesson lies for corporate stakeholders looking to judge companies before they get involved in them.'





SHAREHOLDERS TODAY LOOK TOWARDS FIRMS TO MAXIMISE FINANCIAL RETURNS AND ALSO FOCUS ON CREATING VALUE FOR OTHER SOCIETAL STAKEHOLDERS.

SHAREHOLDER DECISION TO INVEST NEEDS TO BE FOUNDED ON CLEAR AND TANGIBLE EVIDENCE THAT A FIRM IS ACTIVE AND COMMITTED TO CSR.

HOWEVER, PUBLIC TRUST IN CEOs AND THEIR COMPANIES IS AT ITS LOWEST POINT SINCE THE EARLY 1990S AND GREENWASHING WIDELY USED BY COMPANIES TO ENHANCE THEIR VISIBILITY AND REPUTATION CONTRIBUTES TO THIS DISTRUST.

CLOSELY TRACKING CORPORATE NARRATIVES OVER GOOD TIMES AND BAD, SUCH AS IN CASE OF FINANCIAL CRISIS OR TAKEOVER BIDS, IS TELLING IN REVEALING THE REAL LEVEL OF COMMITMENT OF A COMPANY TO CSR.

WHEN TIMES ARE TOUGH AND FIRMS FACE THREATS TO THEIR LEGITIMACY, CORPORATE EMPHASIS MOVES TO ISSUES THAT ARE CRITICAL TO SURVIVAL AND INDEPENDENCE, LEAVING OUT THOSE THAT WERE MEANT ONLY FOR THE PURPOSE OF IMAGE CREATION IN GOOD TIMES.

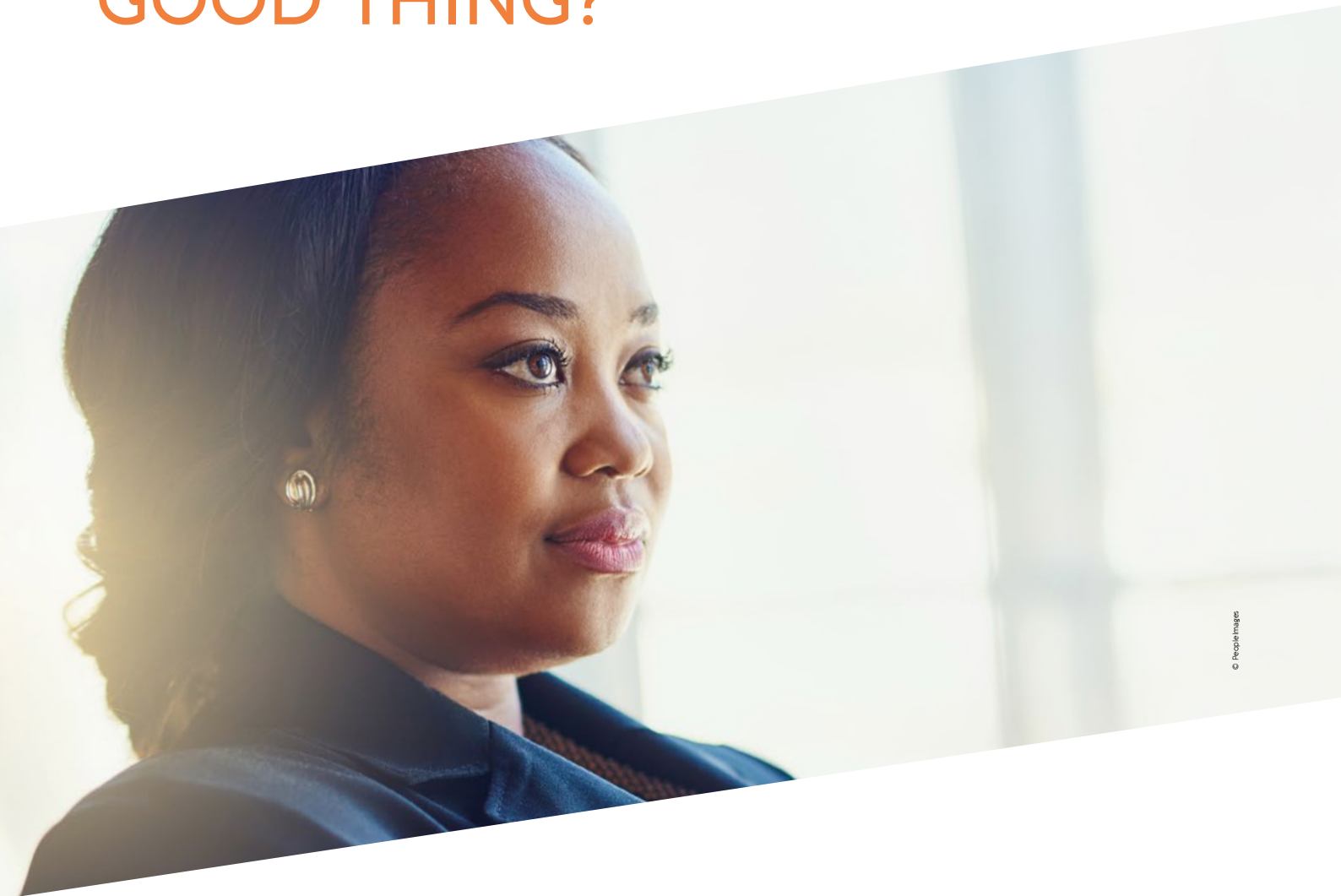
IF A COMPANY PERCEIVES A SPECIFIC STAKEHOLDER OR STAKEHOLDER CONCERN AS CRITICAL, THEIR EXECUTIVES WILL EXHIBIT CONSISTENCY IN THEIR COMMUNICATIONS TOWARDS THEM AND INTENSIFY THEIR EFFORTS TO FIND AN AGREEABLE SOLUTION, PARTICULARLY IN CASE OF CRISES AND THREATS.

AND FIRMS WHOSE CORE VALUES INCLUDE CSR ARE NOT LIKELY TO DROP THEM EVEN IN TIMES OF CRISIS. EXAMPLES INCLUDE BEN & JERRY'S AND UNILEVER.



Tanusree Jain

MICROFINANCE TARGETING WOMEN: TOO MUCH OF A GOOD THING?



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Estefania Santacreu-Vasut, Prof. of Economics at **ESSEC Business School** and **THEMA**, uses her research to shed light on claims that microfinancing over-emphasises support to women.

By Estefania Santacreu-Vasut from the research paper by Drori, I., Manos, R., Santacreu-Vasut, E. & Shoham, A. (2019) "How does the global microfinance industry determine its targeting strategy across cultures with differing gender values?" Journal of World Business

MICRO-FINANCE INSTITUTIONS have recently been blamed for "over-emphasizing" women as their main clients, disregarding other disadvantaged populations. Is this so?

To answer this question, we first need to

define what over-emphasis means in this context. Does it mean providing loans to women who are relatively better off than other segments of the population but who nonetheless receive loans because they are women? Does it mean disregarding the local culture and adopting a universal approach

that seeks to increase women's financial inclusion regardless of initial conditions? Or then again, does it mean serving women in cultures where they are culturally well integrated and avoiding challenging local gender norms in cultures where they are traditionally excluded?



WOMEN ARE IN THE DNA OF MICROFINANCE

The historical development of micro-finance institutions means that targeting women has become part of micro-finance organisational identity. The orientation towards women is rooted in pioneer micro-finance organisations that, at inception (in the 1970s), outreached to women as their main social goal. By giving out small loans to poor women who lacked collateral, Grameen Bank founder, Mohammed Yunus, wanted to counter an unfavourable culture towards women, or as stated in the organisation's website – to counter the negative consequences for women and for society from the fact that “Women in Bangladesh are neglected by society”. *

Today, the micro-finance revolution has spread well beyond its initial frontiers as it is now present worldwide. It has therefore evolved into various institutional and cultural environments, where women's relative position varies. Internally, the micro-finance industry has adopted new organisational forms, moving from the traditional NGO-form to for-profit and hybrid forms with a dual mission (combining a social goal with sustainability constraints).

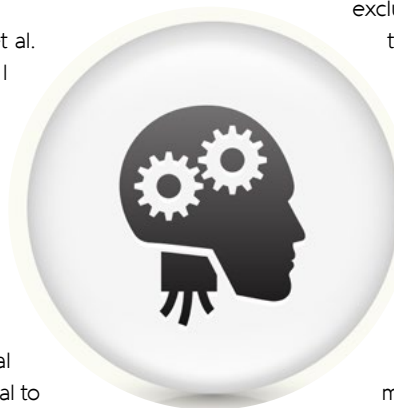
The varied environments in which micro-finance operates, as well as the heterogeneous organisational forms it has adopted, indeed make it possible that micro-finance “over-emphasizes” women. This could be the case if micro-finance organisations disregard their different cultural environments and stick to their historical identity to target women. Moreover, micro-finance may be over-emphasizing women as their target population in cultures where gender inequality is not – or less so – at the root of poverty and social exclusion.

LANGUAGE UNLOCKS

In recent research (Drori et al. 2019), my co-authors and I have explored this issue. As such, we studied the extent to which the local culture in which a micro-finance organisation operates influences the choice of defining women as the key target population. To capture local cultures that are detrimental to female economic independence, we use a linguistic measure that has been shown to correlate with gender inequality.

In particular, we use the extent to which a language forces speakers to make gender distinctions in its grammatical rules.

Gender marking in language has been shown, in previous research by our research team and also by other scholars, to positively correlate with traditional gender roles, including an unbalanced sharing of household labour, even among couples where both partners work. It has also been shown to correlate negatively with female political representation and female labour force participation. Are those cultures where language is more likely to code female-male distinctions in its language grammar also more likely to exclude women from access to mainstream finance?



We use data on women's access to traditional banking services to test whether this is the case. That is, whether women living in cultures that are more averse to women economic empowerment, as captured by language, are also more likely to face barriers to finance – and are less likely to hold a bank

account, for example. We find that this is indeed the case. And it leads us to ask the following question: is micro-finance fulfilling the role of outreaching women particularly in those discriminatory environments and therefore countering the local culture? In other words, is micro-finance strategy universal or contingent on local needs and constraints? And if contingent, is it leaning against the wind by challenging local gender norms or, instead, is it adapting to them?

MICROFINANCE TARGETS THOSE WHO NEEDS IT MOST

Our empirical analysis shows that the targeting strategy of micro-finance organisations is not universal but instead contingent on the local culture. More importantly, we find that micro-finance organisations are more likely to target women in countries where women face higher barriers to financial access. This implies that micro-finance organisations do lean against the wind and, therefore, that the micro-finance industry is pursuing a strategy to outreach women especially in countries where this is most socially needed, rather than in countries where it is most feasible or acceptable to do so.

More broadly, our findings suggest that one cannot say that micro-finance over-emphasizes women unless this claim is defined in relation to the local culture and the local needs. Social outcomes are to be measured in relative terms to what cultural institutions define as acceptable or possible, and to the constraints they impose on the various players. As a result, the social consequences of organisations with a social mission should also be defined in relation to the extent to which the social challenges they handle are more or less severe – for example the extent to which women face gender discrimination in society at large.

What enables these organisations to pursue these adaptive and disruptive strategies? In future work we hope to shed light on this question to further understand how socially oriented organisations are successful by not only adapting to local conditions but also – and most importantly – by contributing to positively change the environment in which they operate.



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Are cultures where language is more likely to code female-male distinctions also more likely to exclude women from access to mainstream finance?

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MICRO-FINANCE INSTITUTIONS HAVE RECENTLY BEEN BLAMED FOR “OVER-EMPHASIZING” WOMEN AS THEIR MAIN CLIENTS.

THE HISTORICAL DEVELOPMENT OF MICRO-FINANCE INSTITUTIONS MEANS THAT TARGETING WOMEN HAS BECOME PART OF MICRO-FINANCE ORGANISATIONAL IDENTITY.

TODAY, THE MICRO-FINANCE INDUSTRY HAS MOVED FROM THE TRADITIONAL NGO-FORM TO FOR-PROFIT AND HYBRID FORMS WITH A DUAL MISSION (COMBINING A SOCIAL GOAL WITH SUSTAINABILITY CONSTRAINTS).

RESEARCH: GENDER MARKING IN LANGUAGE IS POSITIVELY CORRELATED WITH TRADITIONAL GENDER ROLES, INCLUDING AN UNBALANCED SHARING OF HOUSEHOLD LABOUR, EVEN IN COUPLES WHERE BOTH PARTNERS WORK. IT CORRELATES NEGATIVELY WITH FEMALE POLITICAL REPRESENTATION AND FEMALE LABOUR FORCE PARTICIPATION.

ESTEFANIA SANTACREU-VASUT’S RESEARCH SHOWS THAT THE TARGETING STRATEGY OF MICRO-FINANCE ORGANISATIONS IS NOT UNIVERSAL BUT INSTEAD CONTINGENT ON THE LOCAL CULTURE.

FINDINGS SUGGEST THAT ONE CANNOT SAY THAT MICRO-FINANCE OVER-EMPHASIZES WOMEN UNLESS THIS CLAIM IS DEFINED IN RELATION TO THE LOCAL CULTURE AND THE LOCAL NEEDS.

THE SOCIAL CONSEQUENCES OF ORGANISATIONS WITH A SOCIAL MISSION SHOULD BE DEFINED IN RELATION TO THE EXTENT TO WHICH THE SOCIAL CHALLENGES THEY HANDLE ARE MORE OR LESS SEVERE – FOR EXAMPLE, THE EXTENT TO WHICH WOMEN FACE GENDER DISCRIMINATION IN SOCIETY AT LARGE.



**Estefania
Santacreu-Vasut**



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The pioneering spirit

LABOUR SUPPLY IN THE POST-BREXIT WORLD: TIME TO TURN THE POTENTIAL OF BRITAIN'S DISABLED POPULATION INTO A REALITY



Kim Hoque, Professor of Human Resource Management at **Warwick Business School**, explores the issue of the labour shortages Brexit may well provoke and advocates that it is time to turn the potential of the UK's disabled population into a reality.

IN DECEMBER 2018, the UK government unveiled its proposals for a post-Brexit immigration system. The proposals, driven by the government's perceptions of public concerns about the social and economic effects of immigration, are considered the most significant reform of Britain's immigration policy in 40 years.

Central to the proposals is the introduction of a new skills-based immigration system and the end of free movement of people from the EU, with the new system making no distinction between migrants from EU and non-EU countries. Although the government proposes to remove the cap on skilled workers coming into the UK, it also proposes to introduce a minimum £30,000 salary threshold.

Those coming to the UK for a job paying less than the threshold will be allowed to stay for just 12 months, will not be able to bring family members with them, will not accrue rights to settle, and will have to undergo a 12-month cooling off period once their visa expires during which they will not be allowed to return to the UK for work.



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However, the plans, which have been put out to a 12-month consultation, have led business groups, including the Confederation of British Industry, the Institute of Directors and the Federation of Small Businesses to accuse the government of prioritising populist immigration restrictions ahead of economic prosperity, given the labour shortages they have the potential to cause.

AN INTERNAL MIGRATION: THE HARD ROAD SOUTH

While businesses have welcomed the removal of the cap on high-skilled migrants, they are concerned that the £30,000 threshold will remove an important source of labour supply across a wide range of industries. According to the Institute of Directors, the cap could affect around 60% of jobs at intermediate skills levels. The Confederation of British Industry estimates the government's plans could prevent nine in 10 firms being able to recruit and retain staff, resulting in significant staff shortages. The Federation of Small Businesses say that seven in 10 small employers rely on mid-or low-skilled staff who would face restrictions working in Britain under the plans.

There are also significant barriers to low-

skilled, low-paid workers relocating from depressed parts of northern England, Scotland, and Wales to ease the labour shortages in the south east, where the loss of European workers will hit hardest. Chief among these barriers is the prohibitively high cost of buying a home or renting in the south east, especially for families.

These concerns have in turn been met with arguments that employers should seek alternative sources of labour among the domestic population, by hiring from among marginalised groups or identifying ways to encourage people back into the labour market, for example. Travelodge recently announced it would seek to hire parents by providing work patterns that enable them to meet their caring roles. Last year, David Gauke, the justice minister, argued that boosting the employment of ex-prisoners could play a role in addressing Brexit-related labour supply problems.

DISABLED PEOPLE: TIME TO TURN THEIR POTENTIAL INTO A REALITY

Beyond this, my disability@work colleagues and I have argued in recent discussions across a range of government departments including the No. 10 policy unit, the DWP, the Cabinet office and the Treasury, that a focus on increasing the employment of disabled people could also play an important role in reducing post-Brexit labour shortages.

The disability employment gap (the difference between the proportion of disabled and non-disabled people who are in work), remains stubbornly high in the UK at around 30 percentage points, with only 52% of working-age disabled employees currently being in work in comparison with about 82% of the non-disabled working age population. This gap is larger than for all other protected groups, and does not compare well with other EU countries. Across the EU as a whole, the disability employment gap is around 20%. Finland, France, Latvia and Sweden have gaps of around 10%, while in Luxembourg it is less than 3%.

As such, we have argued that if employers seek to make their workplaces more accommodating, thus enabling them to draw



research showing that equality and diversity initiatives need to be led from, and championed by, the boardroom, if they are to be sufficiently prioritised for genuine action to be taken across the organisation. Hence, if business leaders are serious about maintaining their post-Brexit labour supply, it is incumbent on them to seek to develop a new culture in which disabled people are viewed as an asset to the organisation and their contribution is genuinely valued, thus enabling them to thrive.

MOVING FORWARD

The government is increasingly aware that unless solutions to labour supply problems can be found in the post-Brexit era, the economic consequences will be dire. This is no doubt one reason it is taking the disability employment agenda increasingly seriously.

For example, in November of last year, Sarah Newton, then Minister for Disabled People, called on large companies to reveal the numbers of disabled people they employ, as part of a drive to build a more inclusive society. It is in business leaders' interests to heed this call not only to address future labour market shortages, but also because there will undoubtedly be increased clamours for mandatory reporting (as has been introduced for gender pay gap reporting, for example) should they fail to do so.

A further example of the government's increasing focus on the employment of disabled people is recent changes regarding

on the large pool of disabled people within their local labour market who are willing to work but are currently not in employment, this would provide one solution to their Brexit-related labour supply problems.

This in turn raises the question of what employers would need to do to make their workplaces more attractive to disabled people. Employers often express the fear that making the necessary adjustments will be dauntingly expensive and that they lack the necessary expertise, although the Government's Access to Work scheme offers advice and financial assistance where necessary.

In reality, many of the adjustments disabled people often need are relatively low cost or cost-neutral, and are also increasingly viewed as good employment practices that employers should apply not just to disabled people, but to their whole workforce. Such adjustments include: time off for medical appointments; greater flexibility in working patterns; opportunities (where possible) to telework; flexibility regarding the start and end time to the working day; and, on occasion, additional flexibility in the design of jobs to enable impairment-related restrictions to be accommodated.

A WIN-WIN FOR LABOUR SHORTAGES

Should employers implement such practices, they would likely gain not only from having fewer unfilled vacancies, but they would also have happier and more productive disabled employees (as studies from the US demonstrate). They would also gain from happier non-disabled employees, not least those with caring responsibilities, who would also benefit from these practices.

This is, however, unlikely to happen the absence of leadership from the very top of the organisation. There is now considerable



“ If business leaders are serious about maintaining their post-Brexit labour supply, it is incumbent on them to seek to develop a new culture in which disabled people are viewed as an asset to the organisation. ”



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the Social Value Act. Last year, David Lidington, Minister for the Cabinet Office, announced that all Government departments must take social value into account within procurement decisions. One of the ways companies bidding for contracts will be able to demonstrate social value is via the positive treatment of disabled employees and job seekers. This is likely to provide a further strong encouragement to business leaders to engage with the disability employment agenda, given that public procurement contracts are worth in the region of £242 billion per year in the UK. Winning a share of this business may, in future, be dependent on the manner in which they treat disabled employees and job seekers.

Beyond this, the Government's main initiative to encourage employers to improve their treatment of disabled people – the Disability Confident campaign – may undergo change. Disability Confident was launched in 2016 as the successor to the Two Ticks 'Positive About Disabled People' scheme. Given the process-oriented nature of the scheme, that it is possible for employers to secure accreditation without employing a single disabled person. Indeed, our own disability@work research suggests that neither disability employment rates nor disabled people's experiences of work are likely to be better in organisations that sign up than in those that do not, suggesting Disability Confident is largely toothless in encouraging employers to raise their game.

BUSINESS MEANS SOCIETY

The signs are that the UK Government's recent focus on increasing the employment of disabled people is set to continue for some time to come, with the Cabinet Office, in collaboration with the Number 10 Policy Unit, having recently launched a consultation on disability employment.

This is encouraging as it suggests disability employment policy is increasingly being viewed as a cross-departmental responsibility rather than solely the responsibility of the Department of Work and Pensions, but also as it suggests a greater willingness on the part of Government to explore the development of new policy initiatives.

It is of course, not only for labour supply reasons that employers should focus on the employment of disabled people. There are also straightforward moral arguments. Disability equality, as with all equalities issues, is a matter of social justice, hence it is something that all progressive, socially responsible employers should seek to promote. This affects not only job seekers, but also the organisation's existing workforce, given that most disabilities develop in adulthood once individuals are already in employment.

Business leaders, therefore, have a duty of care towards their employees as they age, enabling those who develop disabilities to stay in work. This requires significant and increased investment in occupational health services to help make adjustments and facilitate reintegration after the onset of long-term health problems or permanent disability.

Nevertheless, a focus on employing disabled people in greater numbers is undoubtedly a key route by which employers can increase their source of labour supply. Should they do so, this may go a long way in helping them address the damaging effects of a curtailment of the supply of migrant workers from the EU in a post-Brexit world.





Kim Hoque

ACCORDING TO SEVERAL UK BUSINESS GROUPS, THE PROPOSED POST-BREXIT IMMIGRATION SYSTEM COULD PREVENT 9 IN 10 FIRMS BEING ABLE TO RECRUIT AND RETAIN STAFF, RESULTING IN SIGNIFICANT STAFF SHORTAGES.

7 IN 10 SMALL EMPLOYERS RELY ON MID- OR LOW-SKILLED STAFF, WHO WOULD FACE RESTRICTIONS WORKING IN BRITAIN UNDER THE PLANS. THE PROHIBITIVE COST OF HOUSING WOULD POSE A BARRIER TO LOW-SKILLED, LOW-PAID WORKERS RELOCATING FROM THE NORTH OF BRITAIN TO THE SOUTH WHERE THE LOSS OF EUROPEAN WORKERS WILL HIT HARDEST.

A FOCUS ON INCREASING THE EMPLOYMENT OF DISABLED PEOPLE COULD PLAY AN IMPORTANT ROLE IN REDUCING POST-BREXIT LABOUR SHORTAGES.

THE DISABILITY EMPLOYMENT GAP REMAINS HIGH IN THE UK AT AROUND 30%, WITH ONLY 52% OF WORKING-AGE DISABLED EMPLOYEES CURRENTLY BEING IN WORK IN COMPARISON WITH ABOUT 82% OF THE NON-DISABLED WORKING AGE POPULATION.

ACROSS THE EU AS A WHOLE, THE DISABILITY EMPLOYMENT GAP IS AROUND 20%. FINLAND, FRANCE, LATVIA AND SWEDEN HAVE GAPS OF AROUND 10%.

EMPLOYERS ARE CONCERNED THAT EMPLOYING MORE DISABLED PEOPLE WOULD ENGENDER COSTS BUT MANY OF THE ADJUSTMENTS DISABLED PEOPLE OFTEN NEED ARE RELATIVELY LOW COST OR COST-NEUTRAL, AND ARE ALSO VIEWED AS GOOD EMPLOYMENT PRACTICES FOR THE WHOLE WORKFORCE.

SUCH ADJUSTMENTS WOULD INCLUDE: TIME OFF FOR MEDICAL APPOINTMENTS, GREATER FLEXIBILITY IN WORKING PATTERNS, FLEXTIME AND TELEWORKING.

DISABILITY EQUALITY IS A MATTER OF SOCIAL JUSTICE, HENCE IT IS SOMETHING THAT ALL PROGRESSIVE, SOCIALLY RESPONSIBLE EMPLOYERS SHOULD SEEK TO PROMOTE.

THIS AFFECTS NOT ONLY JOB SEEKERS, BUT ALSO THE ORGANISATION'S EXISTING WORKFORCE, GIVEN THAT MOST DISABILITIES DEVELOP IN ADULTHOOD ONCE INDIVIDUALS ARE ALREADY IN EMPLOYMENT.

TAKE A WALK ON THE WILD SIDE



Explore the website @
www.council-business-society.org

SCALING UP SOCIAL INNOVATION: ROLE OF GOVERNMENT IN THE GLOBAL PROVISION OF INNOVATIVE SOLUTIONS



Prof. Concepción Galdón, Social Innovation Director at **IE University** and **Joshua Entsminger**, Applied Researcher in International Affairs, propose an excellent approach to scaling up innovation in order to enable everyone to benefit equally from them.

"WHETHER YOU ARE talking about cardiac care or education, the fundamental question is: how do you provide it for everyone?" Thulsi Ravilla, Exec director of Aravind

IS INNOVATION FOR THE PRIVILEGED FEW?

Social Innovation and social entrepreneurship have become well-established processes to come up with solutions for prevalent social and environmental problems. Accelerators, incubators, social impact funds, labs, contests and awards have emerged globally in the last few years focused on inspiring the birth of such initiatives. As a result, myriads of talented people are putting their

mind and effort today into creating new and better ways to tackle a broad variety of issues ranging from access to education, health care or civic participation. This is certainly good news. However, in the face of such diversity of tested existing solutions Ravilla's question resonates louder than ever: How do we provide them for everyone?



PIGGYBACKING ON THE BIG FISH

How do many startups with commercial products/services quickly scale up access to their solutions? Through M&A with big corporations. Here is how it's done in the private sector. Big corporations are in a permanent pursuit of innovation. In the words of David Fogel, head of acceleration & deputy director at Wayra UK by Telefonica: "if you don't innovate, you die". Together with the traditional strategy to bet on internal R&D processes, more and more corporations have understood that internal innovation is too risky financially and they engage in Open Innovation schemes. Corporate accelerators are only one common way of engaging in open innovation. Corporations set up units whose duty is to systematically search for startups with solutions that meet the corporation's challenges. Once these startups have been identified, and after thorough due diligence, tested solutions are bought over and incorporated to the company's value chain. This way, solutions initially offered to several thousand people are available to millions worldwide. Startups do what they do best: innovate and test. Corporations do what they do best: deploy big time. Entrepreneurs cash in for the effort of innovating and are ready for their next adventure. Win-win all around.

GOVERNMENT'S ROLE IN SCALABILITY

Far too often, we hear much criticism of the limitations of government when it comes to innovating in public service. All that social entrepreneurs and innovators usually request from government is for it to remove red tape and provide funding directly or via tax breaks. However, it should come as no surprise that innovation is not governments' main skill. They need to maximize impact of taxpayers' money and innovation is intrinsically a risky activity with uncertain results. Put otherwise, we are not sure we want to have government experimenting on our tax money. Now, guess what government is incredibly good at? Universal provision of public services. That's the animal government is. That's what it was built to do, and that's its very nature. In our opinion, government has a protagonist role to play in scaling up social innovations.

Governments around the world share the intuition that they have a role to play and are looking for their fit in the social innovation process. The UK has launched the UK Big Society Initiative, which attempts to create 1BN impact bond market by 2020. In Canada the MaRS center for impact investing, together with the Government of Ontario has launched SVX with the goal to conduct due diligence on social impact investing opportunities. The White House Office of Social Innovation and Civic Participation has launched the US Community Development Finance Institution, aiming to gather 20 dollars of private funds for every

1 dollar of Government funding. Malaysia's MOSTI has pledged a 7.3 million social innovation fund to pair innovators with Government. All these initiatives will inject cash in the social ventures. But, what if government focused on doing what it does best: provide universal access to solutions through its own structure. How about government actually buying over selected projects and incorporating them to their "business as usual"?

“ By having an open innovation program, government can match existing innovative public sector start-ups with already tested solutions to national current needs. ”





Concepción Galdón



Joshua Entsminger



INNOVATION ALIGNED WITH NATIONAL NEEDS

Unfortunately, today this path is not available for social entrepreneurs/innovators. Who would be interested in buying their tested solutions and making them available universally? Who would be able to incorporate those social solutions to its own value chain and processes? Social entrepreneurs/innovators, and the investment funds that support them in the initial phases, have few to none exit strategies today, leading to stagnation in the sector. Government is in a privileged position to fill in this gap. We propose a new approach to public innovation that is cheaper and lower risk than insulated government research and development: Public Open Innovation Initiatives.

By having an open innovation program, government can match existing innovative public sector start-ups with already tested solutions to national current needs. These solutions can be identified both internationally and locally. Keeping an active international radar allows for a broader pool of potential M&A opportunities but calls for a dedicated team to prototype locally prior to scale up. Buying and scaling up local social innovation solutions will expand on existing social innovation ecosystems. Also, it has the advantage of tapping into solutions built from the understanding of the local culture and rules of the country, region or city.

IN A NUTSHELL...

The specific design of the Open Innovation Program requires a case-by-case approach, given the specificities of national regulations when it comes to procurement and sourcing. However, any design should guarantee that government focuses on what it does best, moving from being the elephant in the room, to putting its know-how at the service of scaling up of social innovations. Public service at its best.

THE NUMBER OF INITIATIVES PERTAINING TO SOCIAL ISSUES SUCH AS HEALTHCARE AND EDUCATION IS CERTAINLY ON THE RISE TODAY. BUT THEY ARE OFTEN NOT SCALABLE.

WHILE THE GOVERNMENT PROVIDES MASS ACCESS TO PUBLIC SERVICES, IT CAN OFTEN BE SCEPTICAL ABOUT ASSISTING WITH SOCIAL ENTREPRENEURSHIP AND INNOVATION, OWING TO THE INHERENT RISK IN THEM.

CORPORATE ACCELERATORS AND M&AS ARE ONE PROVEN WAY TO SCALE UP COMMERCIAL PRODUCTS AND SERVICES IN THE PRIVATE SECTOR. THE SAME, HOWEVER, DOES NOT APPLY TO SOCIAL INNOVATIONS.

PUBLIC OPEN INNOVATION INITIATIVES CAN BE A SOLUTION THAT ENABLES GOVERNMENTS TO MATCH EXISTING INNOVATIVE PUBLIC SECTOR START-UPS WITH ALREADY TESTED SOLUTIONS TO NATIONAL CURRENT NEEDS.

SUCH INITIATIVES CAN BE EXPLORED WITH ENTREPRENEURS AT BOTH LOCAL AND INTERNATIONAL LEVEL. THEY ARE LIKELY TO CHEAPER AND LOWER RISK THAN INSULATED GOVERNMENT RESEARCH AND DEVELOPMENT.

GRETA THUNBERG CALLS FOR 'SYSTEM CHANGE NOT CLIMATE CHANGE'. HERE'S WHAT THAT COULD LOOK LIKE



Sheila M. Cannon, Assistant Professor of Social Entrepreneurship at **Trinity College Dublin Business School**, puts the spotlight on climate activist Greta Thunberg to call for a change of system in order for climate change to happen.

With kind acknowledgments to The Conversation

GRETA THUNBERG the 16-year-old Swedish climate activist, is calling for system change. At a press conference in Brussels, she told the European Commission that in order to fight climate change we need to change our political and economic systems – a message that has been repeated on signs and in chants in the student climate strikes around the world.

The school climate strikes, which she started alone in August 2018, have become a social movement with 1,659 strikes planned for March 2019 in 105 countries. But what is system change? How do entire systems change? When we see “save the planet” initiatives, they often look like individual decisions that don't cost much, like switching to a bamboo toothbrush or washing containers

before you recycle them. By all means, do these things, but don't confuse them with system change.

Most people don't know how to change political, economic and social systems. They end up making token gestures instead that may even perpetuate the problem. There's also the question of how to overcome



© Marcus Späke

powerful vested interests that benefit from the current system. But there is research that can help us understand system change.

Neo-institutional theory is one approach to understanding how and why people organise collectively. People create meaning, follow rules and reproduce structures – such as classrooms, businesses, offices and community halls – based on assumptions of what is right and proper. Classrooms look similar, not because each time we set one up we ratio-

nally decide how to do so, but because we make assumptions about what a classroom is supposed to look like. Because we are part of these meaning structures, we reproduce existing norms and beliefs and resist change. System change happens when we don't take our assumptions for granted, which allows more and more people to question the status quo.

SCANNING THE HORIZON

Thunberg is telling us that our current political and economic systems are no longer fit for purpose. She is pointing out that the emperor has no clothes.

Changing a system takes time. My research on the LGBT movement in Ireland documented efforts and achievements over 40 years. Homosexuality went from being a crime, to being celebrated in a progressive movement. While the referendum on marriage equality took one day in 2015, the efforts of many to change the system took decades.

The Three Horizons Framework can help explain the different factors that lead to changing systems. Horizon one is business as usual – the status quo – and the outgoing institution in times of change. Horizon three is the new institution – with newly legitimised structures and beliefs. The space between them is horizon two, which is occupied by people focused on social change – who lead the transition from an old system to the new.

Most people recognise the problems with the present system and want to help society move to something more sustainable. Products like bamboo toothbrushes exist to monetise that concern, but because they're sold in plastic and shipped around the world, their production and distribution still consumes fossil fuel and does nothing to change the existing economic or political system that is fuelling climate change. A collective challenge to political and economic elites is likely to be more effective in forcing this transition.

When aspects of horizon three appear – glimpses of a more sustainable system – they are usually rejected as illegitimate or too radical. When Rosa Parks sat down at the front of the bus in a move to promote civil rights in America in 1955, she was condemned. Looking back after system change has happened, these people are seen as leaders.

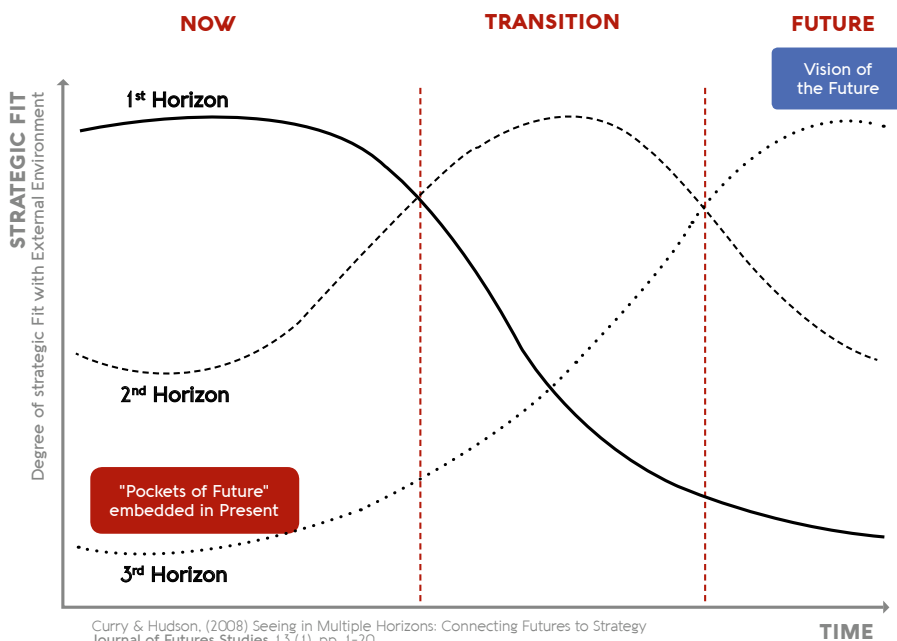
THE END OF CAPITALISM?

The system that needs to be changed to avert climate disaster is capitalism, which is losing its legitimacy largely due to the system's failure to respond effectively to climate change.

Applying all I've learned about how systems change, it's possible to imagine that the current system which sustains business-as-usual capitalism – horizon one in the framework – is occupied by those who continue to produce, sell and consume products and services that rely on fossil fuels. That's most of us, but horizon one is also maintained by climate deniers and investors in fossil energy, who, despite the scientific evidence, keep chugging along.

A more sustainable system could include policies we might currently consider "extreme", like universal basic income. This is a guaranteed payment for all people regardless of their wealth which could help break the cycle of production and consumption that pollutes the atmosphere and fills the ocean with discarded plastic. Evidence suggests there is growing support for this, particularly among young people.

Extending human rights to non-humans and even to ecosystems is another idea that seems radical today but is gaining traction and could define an alternative system in future. One thing is for sure, we'll look back in horror one day at how humans treated



the natural world, as many already do in the present. If the climate strikers can continue to grow their movement and sustain momentum, their leadership could be an important part of society's transition to a more sustainable system in horizon three.

Capitalism may seem permanent, but research shows that systems inevitably change over time, and are ultimately created and reinforced by us. But in order to change anything, people must question their own role in the system first.



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Most people don't know how to change political, economic and social systems.

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MOST PEOPLE DON'T KNOW HOW TO CHANGE POLITICAL, ECONOMIC AND SOCIAL SYSTEMS – IT IS IMPORTANT TO UNDERSTAND HOW.

PEOPLE CREATE MEANING, FOLLOW RULES AND REPRODUCE STRUCTURES – SUCH AS CLASSROOMS, BUSINESSES, OFFICES AND COMMUNITY HALLS – BASED ON ASSUMPTIONS OF WHAT IS RIGHT AND PROPER.

BECAUSE WE ARE PART OF THESE MEANING STRUCTURES, WE REPRODUCE EXISTING NORMS AND BELIEFS AND RESIST CHANGE. SYSTEM CHANGE HAPPENS WHEN WE DON'T TAKE OUR ASSUMPTIONS FOR GRANTED, WHICH ALLOWS MORE AND MORE PEOPLE TO QUESTION THE STATUS QUO.

THE SYSTEM THAT NEEDS TO BE CHANGED TO AVERT CLIMATE DISASTER IS CAPITALISM, WHICH IS LOSING ITS LEGITIMACY LARGELY DUE TO THE SYSTEM'S FAILURE TO RESPOND EFFECTIVELY TO CLIMATE CHANGE.

A MORE SUSTAINABLE SYSTEM COULD INCLUDE POLICIES WE MIGHT CURRENTLY CONSIDER “EXTREME”, LIKE UNIVERSAL BASIC INCOME: THIS IS A GUARANTEED PAYMENT FOR ALL PEOPLE REGARDLESS OF THEIR WEALTH WHICH COULD HELP BREAK THE CYCLE OF PRODUCTION AND CONSUMPTION THAT POLLUTES THE ATMOSPHERE AND NATURAL ENVIRONMENT.

EXTENDING HUMAN RIGHTS TO NON-HUMANS AND EVEN TO ECOSYSTEMS IS ANOTHER IDEA.

BUT IN ORDER TO CHANGE ANYTHING, PEOPLE MUST QUESTION THEIR OWN ROLE IN THE SYSTEM FIRST.



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EUROPE – NOT THE END OF A HISTORY?



Laurent Bibard, Dr-Prof. of Philosophy and Management at **ESSEC Business School**, author and spokesman on complexity, draws upon the work of the philosopher Kojève to understand the rise of populism in Europe and the bigger picture.

THE RECENT ELECTIONS held in Europe, in which EU member states elect their national representatives to the European parliament in Brussels, saw a fresh wave of populist, anti-EU parties win a majority of seats which, on the map of Europe, looks very much like a geographical slash of the sword – horizontally from darker blue France through to Austria and Hungary and

vertically, lighter blue, from Sweden down to Italy. Add the Brexit Party landslide in the UK and one might very much think it is the “End of History” for a united Europe.

For Professor Laurent Bibard, the term End of History is chosen purposefully. And with a figurehead clearly in mind. That of Alexandre Kojève, a Russian-born French philosopher

who in a series of seminars from 1933-39, brought Hegel to France and in doing so formed the French intelligentsia who were to shape much of after-war French and European politics: Bataille, Lacan, Raymond Aron, Simone de Beauvoir and Raymond Queneau among them. A wholly fascinating figure, Kojève worked as a high functionary in the Department for External Economic



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Relations (DREE) – contributing decisively to French international agreements, including the GATT – from 1946 until his death during a working meeting on the development of the European Union in Brussels – in 1968, where he is buried.

ONE WORLD, NO CONFLICT

Studying Kojève, and indeed having written about him, Bibard sees a canny reflection of pre-WWII events with those of today, most notably in the rise of populism and the anger and discontent that political parties may draw upon to fire their ambitions of power. Kojève, writing in 1943 in a publication that

was finally to see the light posthumously in 1981 (*Esquisse d'une phénoménologie du Droit* – Outline of a Phenomenology of Right), drew up all the issues linked to nationalist regression and concluded that countries would progress towards a world State either voluntarily or not. To reach this goal of one State, he thought that history would first have to pass through a stage of “empires” – American and Soviet – and he worked to be part of the building of Europe with a view to it being politically strong enough to constitute a third world power. His article *L'Empire latin*, written in 1945, gives us an interesting insight into this vision.

Prof. Laurent Bibard agrees with Kojève on one point in particular: that nationalisms are

in effect regressions – temporary ones – in a process of globalisation that fundamentally continues and that globalisation is, moreover, unstoppable through history, even if it certainly does not consist in the current unilaterally economic liberal globalisation. Living in the times of the rise to power of Nazism, Kojève interpreted the phenomenon strictly as a nationalist step backwards before history and therefore doomed to failure. Hegel saw mankind drawing on an underlying unity and shared morality to find peace – the end of history – and Kojève drew on this thinking to build his own ideas of a unified Europe and finally a unified, globalised world, which he called the “socially homogeneous, and politically universal State”. For Bibard, however, the “End of History” is problematic. “Perhaps

we shouldn't even go in that direction!" he states, with irony. But he does see in Kojève and his work a message for Europe and today's Europeans. "The canvas of Europe," he states, "is a decisive culture in order to understand humanity as whole and its stakes. It isn't so much a question of European bias to say this but fundamentally it's drawn from the origins of European issues and concerns – both Greek and Jewish at the root. Europe has almost a duty to continue its work of constructing meaning, even if fragile.

GENDER ISSUES – A KEY TO A SOLUTION

Kojève had a long lasting discussion on these issues with a friend of his, the philosopher Leo Strauss, who absolutely did not share his way how to understand History's evolution. Leo Strauss insisted on the permanent existence of "eternal problems" which humans need to confront in their lives. Among these problems, for Strauss the political ones are the most important. And at the root of politics, are the sexes and gender issues which come with it. We may think that considering, with utmost attention, today's gender issues, people may begin to find the right solutions to the political problems Europe is now tackling.



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The canvas of Europe
is a decisive culture in
order to understand
humanity as whole
and its stakes.

”



Laurent Bibard

THE PHILOSOPHER ALEXANDRE KOJÈVE'S WORK PROVIDES A WAY TO UNDERSTAND AND PUT IN PERSPECTIVE THE RISE OF POPULISM AND THE ANGER AND DISCONTENT THAT POLITICAL PARTIES MAY DRAW UPON TO FIRE THEIR AMBITIONS OF POWER.

KOJÈVE DREW UP ALL THE ISSUES LINKED TO NATIONALIST REGRESSION AND CONCLUDED THAT COUNTRIES WOULD PROGRESS TOWARDS A WORLD STATE EITHER VOLUNTARILY OR NOT.

TO REACH THIS GOAL OF ONE STATE, HE THOUGHT THAT HISTORY WOULD FIRST HAVE TO PASS THROUGH A STAGE OF "EMPIRES" – AMERICAN AND SOVIET – AND BELIEVED THAT EUROPE WOULD CONSTITUTE A THIRD WORLD POWER.

KOJÈVE THOUGHT THAT NATIONALISMS ARE IN EFFECT REGRESSIONS – TEMPORARY ONES – IN A PROCESS OF GLOBALISATION THAT FUNDAMENTALLY CONTINUES

GLOBALISATION IS, MOREOVER, UNSTOPPABLE THROUGH HISTORY, EVEN IF IT CERTAINLY DOES NOT CONSIST IN THE CURRENT UNILATERALLY ECONOMIC LIBERAL GLOBALISATION.

FOR KOJÈVE, THE CANVAS OF EUROPE IS A DECISIVE CULTURE IN ORDER TO UNDERSTAND HUMANITY AS WHOLE AND ITS STAKES.

KOJÈVE 'S FRIEND, THE PHILOSOPHER LEO STRAUSS, BELIEVED THAT POLITICAL PROBLEMS WERE THE MOST IMPORTANT PROBLEMS FACED BY HUMANKIND.

AND THAT AT THE ROOT OF POLITICS IS THE ISSUE OF GENDER. BY CONSIDERING GENDER AND ITS RELATED ISSUES, PEOPLE MAY BE ABLE TO FIND SOLUTIONS TO THE PROBLEMS EUROPE IS TACKLING TODAY.

QUALITY TIME: EU TRADE AGREEMENTS AND THEIR IMPACT ON CONSUMERS



Giuseppe Berlingieri, Prof. of Economics at **ESSEC Business School** and Economist at the **OECD**, crunches the numbers to tackle the question of whether UK consumers would be better off without EU trade agreements.

With acknowledgements to ESSEC Knowledge

IT ALL HAPPENED ON a Thursday, back in June 2016. The United Kingdom voted to leave the European Union after a historic referendum in which the people rejected the advice of the main Westminster party leaders and instead took a plunge into the political unknown.

Even though the leave campaign focused on emotional arguments about immigration, there were many (more) reasons that pushed Brexit supporters to believe that such a divorce would benefit the UK. Most of the arguments advanced were not new, including those claiming the EU was a threat to

British sovereignty or a body that prevented radical reforms. Indeed, part of the Brexit camp blamed the EU for impeding the signature of new trade agreements with the argument that the UK should be free to negotiate and set the course of its own trade policy.

Economics Professor Giuseppe Berlingieri decided to look closely at the impact of trade agreements implemented by the EU between 1993 and 2013 on consumer welfare. The attempt was to shed light on the question of whether these trade agreements have been beneficial or detrimental to British consumers and whether they would be better off without them.

BARRIERS: DO THEY EXIST TO BE OVERCOME?

Over the past two decades, there has been a surge in the number of trade agreements and economists have studied the economic consequences of them, focusing on their impact and on variables such as trade flows, productivity, firm exit and entry, employment, and wages. One area that has been neglected by recent research is the impact of trade agreements on consumers.

One central assumption of trade theory is that lowering trade barriers increases welfare. Trade agreements between countries lower trade barriers on imported goods and

according to theory, they should provide welfare gains to consumers from increases in variety, access to better quality products, and lower prices. Although large volumes of literature have focused on estimating the overall gains from trade, less is known about the effects of specific trade agreements and the channels through which they increase welfare.

QUALITY TREAT

In light of public and political opposition to new agreements such as the EU-Canada Comprehensive Economic and Trade agreement or the Transatlantic Trade and Investment Partnership, it is important to understand how past trade agreements have affected consumers. And for that, the EU provides an interesting case study in that it is the biggest trading block in the world and has been a prolific negotiator of trade agreements over the past two decades. Take the following example observed by Berlingieri and his co-researchers. Suppose we have 21-inch LCD Televisions imported from Korea into the EU12 (i.e. before the 1995

enlargement). And they have the same price as those imported into the EU from Japan. But Japan's market share in Europe is 20% and Korea's 10%. As such, the quality estimate for Japan will be higher. If the price of Japanese LCD TVs is higher, we would need to control for the price difference which would reduce the quality estimate for Japan.

Naturally, there's more than just quality to be taken into account. In order to measure the impact of trade agreements, Berlingieri and his fellow co-workers measured prices, quality and variety and assessed how these changed after the implementation of trade agreements. They then compared the evolution of the three variables for the group of countries that had signed trade agreements with the EU with a group of countries that had not.

THE BOTTOM LINE: DO WE BENEFIT FROM EU TRADE AGREEMENTS?

Berlingieri and his colleagues observed that the EU's trade agreements increase quality by around 7% over a five-year period, but that they do not have much impact on prices and variety. These results highlight the importance of taking quality into account. A naive approach, he asserts, that only looks at the impact of trade agreement on non-quality adjusted prices might wrongly conclude that trade agreements have no impact on consumers. At least for the trade agreements implemented by the EU, the entire effect works through changes in quality. As such, once prices for quality are adjusted, it can be observed that trade agreements lowered prices by close to 7%.

Another important takeaway from their research paper: higher-income EU countries (Belgium, Luxembourg, Ireland, the Netherlands, the UK) saw much stronger increases in quality than other EU countries. For lower-income EU countries (Greece, Portugal and Spain) the impact worked almost exclusively through a reduction in prices rather than increased quality.

Their approach does not allow them to identify the exact sources of these quality improvements, but the evidence suggests that it comes from potential mechanisms, with one plausible explanation being that foreign exporters upgrade quality in prepa-



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ration for serving the EU market after the implementation of trade agreements.

Moreover, comparing the consumer price index (CPI) in two different scenarios – EU trade agreements versus no EU trade agreements – allows them to answer the question by how much poorer EU12 consumers would have been in real terms without the agreement-based trade. While not sizeable, it still amounts to substantial savings for EU consumers of around €24 billion per year.

To return to the Brexiteers. We can see that it is not all doom and gloom after all. Thanks to the EU, trade agreements have been beneficial to UK consumers: the flow of imported goods increased together with their quality. It may be true that negotiations and trade agreements handled by the EU are complex. This being said, it is also true that the EU has been a prolific negotiator over the past few decades – and it turns out that the UK has benefited the most out of this trade policy.

Would the UK be better off if it could negotiate its own trade agreements? For that to happen the UK would need to leave the single market, i.e. leave the largest free trade area on its doorstep but also, and this is where the plot thickens, lose access to all

trade agreements signed by the EU over past decades – trade agreements that turn out to have been beneficial for UK consumers. On top of that, the choice of the UK leaving the bloc means that it will have to face the problem of rules of origin. Most trade agreements require that 55% of the value of a product be produced locally. For products with complex supply chains such as cars, the UK would find it difficult to prove that they were made in Britain and as a result wouldn't and couldn't be covered by new trade agreements signed independently by the UK. What relationship will the UK have with the EU after Brexit? MPs are still deciding whether the UK should stay part of the European Economic Area after it leaves the EU – a similar arrangement to non-EU countries Norway, Iceland, and Liechtenstein. The same question has been on the agenda before – and the MPs voted “no”. Might it be time to utter a little “yes”?





Giuseppe Berlingieri

ONE KEY ASSUMPTION IN ECONOMIC THEORY IS THAT LOWERING TRADE BARRIERS AND SETTING UP TRADE AGREEMENTS BETWEEN COUNTRIES PROVIDE WELFARE GAINS TO CONSUMERS FROM INCREASES IN VARIETY, ACCESS TO BETTER QUALITY PRODUCTS, AND LOWER PRICES.

RESEARCHING ON IMPACT UPON CONSUMERS, BERLINGIERI AND HIS COLLEAGUES OBSERVED THAT THE EU'S TRADE AGREEMENTS INCREASE QUALITY BY AROUND 7% OVER A FIVE-YEAR PERIOD, BUT THAT THEY DO NOT HAVE MUCH IMPACT ON PRICES AND VARIETY.

COMPARING THE CONSUMER PRICE INDEX (CPI) IN TWO DIFFERENT SCENARIOS – EU TRADE AGREEMENTS VERSUS NO EU TRADE AGREEMENTS – SHOWS THAT EU CONSUMERS SAVE €24 BILLION PER YEAR THANKS TO AGREEMENT-BASED TRADE.

ACCORDING TO DATA, THE UK APPEARS TO HAVE BENEFITED THE MOST OUT OF THIS TRADE POLICY.

IN THE CASE OF LEAVING THE BLOC, THE UK WILL HAVE TO FACE THE ISSUE OF RULES OF ORIGIN. MOST TRADE AGREEMENTS REQUIRE THAT 55% OF THE VALUE OF A PRODUCT BE PRODUCED LOCALLY. FOR PRODUCTS WITH COMPLEX SUPPLY CHAINS SUCH AS CARS, THE UK WOULD FIND IT DIFFICULT TO PROVE THAT THEY WERE MADE IN BRITAIN AND AS A RESULT WOULDN'T AND COULDN'T BE COVERED BY NEW TRADE AGREEMENTS SIGNED INDEPENDENTLY BY THE UK.

HAVE VOTERS FOUND A WAY OUT OF THE BREXIT IMPASSE?



Hugh Wilson and Emma Macdonald, Professors of Marketing at **Warwick Business School**, dig deep into the survey data to explore voter shift and the argument for a second referendum on Europe in the UK.

BRITAIN IS PARALYSED BY BREXIT.

Three years after the referendum that gave a narrow 'Leave' win, parliament remains in deadlock over what kind of Brexit it wants, and whether that deal should go back to the people in a second referendum.

Brexit's effects are not just in the future, but in the present, too. Internationally, the UK is

already much diminished. It has long aimed to punch above its weight, positioning itself as on the intersection of Europe and the US. Its energies now, though, are inward. This, in turn, sucks time, energy and confidence out of the whole EU bloc.

The public blame the stalemate on politicians considering their self-interest rather

than that of the country. The Conservatives suffered badly in May's local elections. The gains didn't go to Labour, which is perceived as vacillating and mealy-mouthed on Brexit. Instead, they went to two parties offering unambiguous support for a second referendum: the LibDems and the Greens. For the first time, the environment is becoming significant in British voting, and the coordi-

nated action the EU can offer is being seen as helpful from a green perspective. On the right, too, there is a re-alignment of voting around parties offering clarity on Brexit, with Nigel Farage's Brexit party set to make spectacular gains in the EU elections.

The UK's MPs have to find something on which a majority can agree. Have voters already found a way forward?

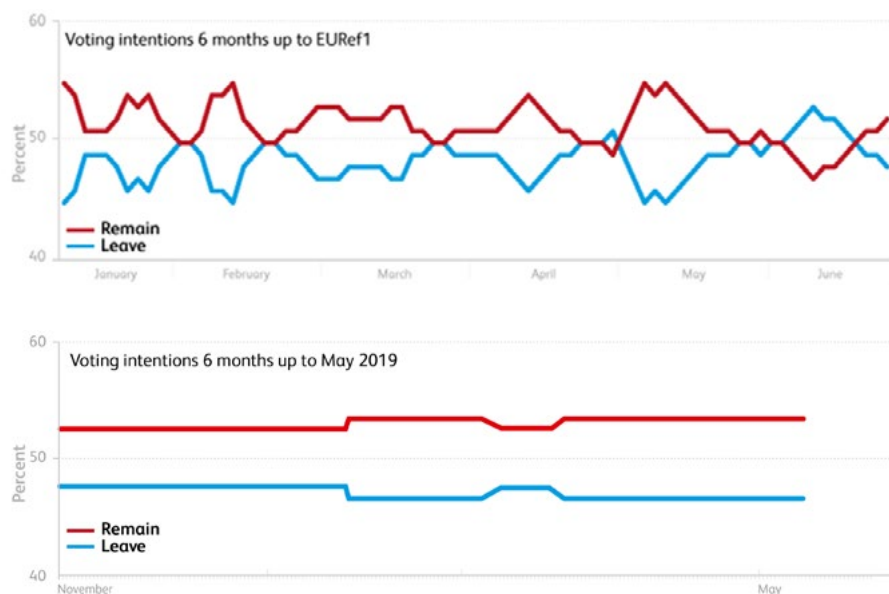
HAVE THE PEOPLE CHANGED THEIR MIND?

In many ways, voters are as split as parliament. But there is one way forward that does command a majority: remaining in the EU after all. In the last twelve months, a remarkably stable lead for Remain of around 8% has emerged. By contrast, leading up to the June 2016 vote the polls swung widely, indicating a voting population still uncertain of their views. The charts below plot the National Centre for Social Research's "poll of polls" on referendum voting intention over a six-month period in each case.



But do these polls reflect how people would actually vote? After all, humans exhibit many attitude-behaviour gaps – the bane of market researchers. We developed a statistical approach to this question in a recent academic paper analysing data from the UK's 2010 General Election. We tracked a panel of floating voters over four weeks, and com-

ling data suggests that a second referendum tomorrow would yield a Remain win of 54 percent to 46 percent. (The same approach applied to the 2016 polls correctly yields a narrow Leave win, unlike much commentary at the time.) The UK is still starkly divided, but it is no longer a statistical dead heat.



The top chart shows the six months leading up to the 2016 referendum. The bottom chart shows the six-month period up to May 2019. A glance at these graphs shows a clear difference in the changeability of voters' views. In just two months before the 2016 vote, opinion veered between a Remain lead of 10 percent and a Leave lead of six per cent. Since November 2018, by contrast, the Remain lead has been rock-steady at six to eight per cent.

pared how they said they would vote with how they actually did. We found we could best estimate the actual vote by considering voter preferences over time, weighing the most recent preferences most heavily. It turns out you can't just look at the latest polls: someone who flipped yesterday may flip back tomorrow.

Adapting this to the last four weeks of pol-

SUBSTANTIAL SHIFTS ON THE ECONOMY AND IMMIGRATION

What's changed? To start with, people are clearer on what they think about the EU. When surveying customers, good marketers consider not just attitude valence but also attitude strength – how strongly people hold their view. And if you ask people to vote, as happened in 2016, that itself is an intervention that forces people to make up their mind to an extent. Greater attitude strength now accounts for the far stabler polling pattern.

As for the increase in Remain preference, demographics are of course a factor: every year, around 455,000 remain-dominated young people reach voting age, while the 480,000 who die are skewed towards leave. But how about all the other voters getting older? Some indeed have switched their allegiance: only 88 percent of Remainers would vote the same again. But even more Leave voters would switch, only 82 percent saying they would repeat their vote.

Two reasons are likely. Firstly, many of those Leave voters now think very differently about the likely economic impact of Brexit.

In May 2018, 42 percent of them thought that leaving the EU would make the economy better, and only 16 percent worse. By January 2019, that lead had evaporated (26 percent 'better' and 27 percent 'worse'), according to Opinium polls.

Secondly, UK attitudes towards immigration have shown a dramatic reversal in the last few years. In 2011, 64 percent of people thought that immigration had had a generally negative effect on the UK. By 2019, according to Ipsos MORI, that had reduced to 26 percent. The inflection point where those thinking immigration was positive began to outnumber those regarding it as negative was in 2016, shortly after the Brexit vote.

Put these factors together, and of the 17.4 m who voted leave, only 13.5 m are still alive and intend to repeat their vote.

WOULD A REFERENDUM BE A DONE DEAL?

After three years of obstinately inconclusive data, then, we can now say that those who would prefer to remain in the EU clearly outnumber those who wish to leave. That might help explain the difficulties in parliament with signing off a Brexit deal of any sort: 67 percent of MPs' constituencies now have a Remain majority, according to Populus.

This does not, of course, guarantee that any second referendum in a few months would follow the current polls. To start with, one side might run a better campaign than the other – Leave being widely acknowledged to have run the better campaign in 2016.

Also, to vote one has to turn up – quite different from answering the phone to a pollster. Estimating turnout is currently more of an art than a science: polling companies put far more effort into establishing your preference than in estimating whether you will actually vote. In our General Election study, we found that turnout depends not just on your declared likelihood of voting but also on whether you voted last time (a habit effect), as well as whether you care about highly-charged topics such as climate change and terrorism. We don't have enough data from the pollsters to repeat that for referendums.



A third variable in any referendum is the exact question. Ask voters to compare staying in the EU with a specific leave option, such as Theresa May's deal, and the Remain lead increases further. And finally, of course, there is the possibility of events prior to a vote swinging opinion.

Arguments about the legitimacy of another vote are, of course, another story. Some argue that any shift in opinion is irrelevant and that the 2016 poll decision is irreversible. Others say the essence of democracy is periodically checking in with the people. The longer the gap becomes since 2016, the more that argument gains support. A majority now favour some kind of public vote, though views differ on quite what that should look like.

WHAT COULD GAIN A MAJORITY IN PARLIAMENT?

The difficulties of Theresa May's deal in parliament reflect its unpopularity in the country – its 12 percent support in a recent ComRes poll putting it on a par with the doomed 'poll tax' that brought down Margaret Thatcher. If, as seems likely, it fails in June, the next step will probably be more 'indicative votes' among MPs, in the search for a cross-party majority from somewhere. So will MPs align with the public's preference for a referendum?

The best guide is the last round of 'indicative vote' options MPs considered in March. Closest to being carried was the proposal that any deal should include a customs union, failing by only eight votes. The other near-miss was the proposal for a confirmatory vote on any deal, attracting the most

votes, at 268, though with 295 against.

A customs union, then, might yet carry a cross-party majority. But leaving with a customs union would please very few among the UK's polarised voters. Most want to stay in the EU; most of the remainder want to leave with no deal. For such a deal to progress without a public vote would leave Labour and the Conservatives owning this outcome in the mind of voters. It seems inevitable that they would therefore be hammered in the polls for many years to come – particularly as the process of leaving would inevitably be turbulent, whether one agrees with its desirability or not. With a public vote, however, these main parties would have a chance for the people to be seen as owning the result, as happened in 2016. It is strongly in their interest to offer one.

In a highly turbulent situation, one thing seems remarkably stable: the 48 percent has become the 54 percent. This will provide ammunition for those arguing for the legitimacy of a second referendum.



Hugh Wilson



MANAGEMENT, LEADERSHIP & SUSTAINABILITY

MIXING BUSINESS WITH A HIGHER PURPOSE



What if you were rewarded not only for work place efficiency, but also for good karma? **Haley Beer**, assistant professor at **Warwick Business School** elaborates the necessity and benefits of businesses to embrace spirituality among its core values.

THE ART OF 'EARNING' A LIVING

LET'S FACE IT – capitalism rules the world today. A majority of businesses out there are in pursuit of the one thing that makes the world go around – money. And needless to say, every employee is judged on the basis of how he or she affects the bottom-line.

Moreover, interviews with 63 executives of not-for-profit organisations showed that most of them assess their employees on standard performance measures which put emphasis on money-making and which are directly drawn from tradition, profit-oriented organisations. Numbers and statistics are given more importance while intangible qualities like social values go unnoticed and

unrewarded. The system worked very well in the past, but a different future needs to be re-imagined.



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ENGAGING THE MIND AND SOUL OF EMPLOYEES

One way that businesses can do that is by drawing upon the ancient teachings in spirituality of Buddhism. The fourth largest religion in the world, Buddhism focuses on attaining a higher meaning and following the path to moksha – or liberation – since the sixth century.

Spiritual discipline could very well offer insights into the techniques for achieving lasting employee engagement and even lessons for understanding the 'higher meaning' that everyone is searching for – today the world puts great emphasis on social connectedness: and social philosophies like Buddhism can provide this.

Buddhism, for instance, tells its followers to take greater personal responsibility for their doings, to have healthy detachment where necessary and to embrace a wholesome view of their actions. In the context of business, it suggests that employees should take responsibility of tasks and practice detachment once the project has run its course. The philosophy also emphasises an employee's entrepreneurial awareness – how risk-taking and innovative they are and if they are mindful enough to evaluate

and exploit opportunities that arise for them. These practices will not only reduce unhealthy competition amongst colleagues but also enhance employee morale and empower them.

And this is not just hearsay. Evidence suggests that embracing spirituality within organisations may lead to better decision-making, enhanced creativity, reduced absenteeism, and greater emotional control. With many organisations focusing their recruitment processes more on personality and company culture agreeability as opposed to raw skill and talents, spirituality can very well be integrated into corporate values.

Especially in the non-profit and charitable sectors, organisations can re-energise their employees by aligning the way they measure performance with the principles of Buddhism. This could lead to an increase in employee productivity which, moreover, is an important measure for companies. Furthermore, employees here are usually driven by a social aspect of wanting to help others, which is what motivates them to work in the non-profit industry in the first place. These virtues also fall well within the bounds of the spiritual teachings of Buddhism.

IN SEARCH OF PURPOSE

Millennials today have a different outlook towards work as compared to the previous generation. They are looking to work with organisations which are committed to values and ethics, and where there is a 'higher purpose' than just simply making profit.

Indeed, many studies have shown that most employees today are not only motivated by money. The simple carrot and stick approach employed by managers to ensure efficient work from their employees is no longer going to work. Companies need to focus on employee engagement and need to take it beyond just job satisfaction if they want to succeed. An engaged employee is prepared to go beyond the call of duty and actually drive the business towards growth.

To ensure this, companies need to go out of their way and embrace unconventional means. As the saying goes 'One cannot expect extraordinary results by doing ordinary things'. This is true for the companies who wish to stay relevant to the new generation of candidates.



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REIMAGINING A FUTURE

Adopting spirituality is not a pipe dream or an idea of a distant future. Many large companies such as Google and retailer giant Target are already employing similar practices and reaping their benefits while many others are hopping on this train through their CSR activities and corporate volunteering programmes.

In the big picture, we have so far merely scratched the surface on this amalgamation of business and spirituality. Several advances need to be made in this field in order to extract the exact impact that spirituality has on our productivity as businesses and employees akin – an impact that goes way beyond the bottom line.



Haley Beer

“
One cannot expect
extraordinary results
by doing ordinary
things.”



A MAJORITY OF BUSINESSES OUT THERE ARE IN PURSUIT OF THE ONE THING THAT MAKES THE WORLD GO AROUND – MONEY – AND EVEN IN NOT-FOR-PROFIT ORGANISATIONS, EMPLOYEE GOAL-SETTING AND APPRAISALS ARE OFTEN BASED ON TRADITIONAL, MONEY AND RESULTS-DRIVEN CRITERIA.

NUMBERS AND STATISTICS ARE GIVEN MORE IMPORTANCE WHILE INTANGIBLE QUALITIES LIKE SOCIAL VALUES GO UNNOTICED AND UNREWARDED. THE SYSTEM WORKED VERY WELL IN THE PAST, BUT A DIFFERENT FUTURE NEEDS TO BE RE-IMAGINED.

MILLENNIALS LOOK TO WORK WITH ORGANISATIONS WHICH ARE COMMITTED TO VALUES AND ETHICS, AND WHERE THERE IS A 'HIGHER PURPOSE' THAN JUST SIMPLY MAKING PROFIT.

COMPANIES NEED TO FOCUS ON EMPLOYEE ENGAGEMENT AND NEED TO TAKE IT BEYOND JUST JOB SATISFACTION IF THEY WANT TO SUCCEED.

AN ENGAGED EMPLOYEE IS PREPARED TO GO BEYOND THE CALL OF DUTY AND ACTUALLY DRIVE THE BUSINESS TOWARDS GROWTH.

SPIRITUAL DISCIPLINE CAN OFFER INSIGHTS INTO THE TECHNIQUES FOR ACHIEVING LASTING EMPLOYEE ENGAGEMENT AND EVEN LESSONS FOR UNDERSTANDING THE 'HIGHER MEANING' THAT EVERYONE IS SEARCHING FOR.

BUDDHISM CALLS FOR PERSONAL RESPONSIBILITY, DETACHMENT AND A WHOLESOME VIEW OF ONE'S ACTIONS AS WELL AS SHARPENING THE ENTREPRENEURIAL AND INNOVATIVE MIND.

EVIDENCE SUGGESTS THAT EMBRACING SPIRITUALITY WITHIN ORGANISATIONS MAY LEAD TO BETTER DECISION-MAKING, ENHANCED CREATIVITY, REDUCED ABSENTEEISM, AND GREATER EMOTIONAL CONTROL.

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FROM ART TO SCIENCE: A PARADIGM SHIFT IN PEOPLE MANAGEMENT



Prof. Valery Yakubovich, ESSEC Business School, along with **Prof. Peter Cappelli** and **Prof. Prasanna Tambe** from **Wharton School** of the University of Pennsylvania, explore the potential of applying artificial intelligence to human resource management.

From the paper Artificial intelligence in human resources management: Challenges and a path forward by Peter Cappelli, Prasanna Tambe, and Valery Yakubovich.

INCORPORATING SCIENCE INTO HUMAN RESOURCE MANAGEMENT

AS ARTIFICIAL INTELLIGENCE ra-

pidly gains traction in industries like health-care, companies are beginning to investigate the potential of AI in management of employees. Today only 22% of firms say that they have adopted analytics in human re-

sources. This can be ascribed to the huge disconnect between the data science community, which understands analytics but not HR, and the HR community, which understands HR but not analytics.



We often ignore the fact that the myriad HR operations from hiring and training to performance management produce an incredible volume of data, often in the form of “digital exhaust” in the virtual space. Such digital exhaust, along with HR Information Systems, can be synthesized to build algorithms that can improve the efficiency of future HR operations. For example, once we have a view of all the applicant characteris-

tics that have been associated with great job performance, this data can be used to select candidates in the future. Some companies like IBM also use algorithms to recommend trainings for their employees, based on the experiences of similar employees or their own preferences, much like how Netflix recommends content to its viewers. We have gleaned some interesting insights on how AI can be leveraged for human resource management from a 2018 workshop that brought data science faculty together with the heads of the workforce analytics function from 20 major US corporations.

BUT WHAT IF THE MACHINE SAYS “HIRE MORE WHITE MEN”?

The trade-off between efficiency and appropriateness can be tricky when it comes to AI in HRM. An algorithm which looks into attributes of good performers in the current workforce may very well recommend you to hire more white men. More often than not, this is due to the algorithm reproducing the lack of demographic diversity in historical data. Imagine the social and legal repercussions of acting on this recommendation! The fact that the company had hired fewer women or ethnically diverse people in the past does not imply these groups are poor performers. As such, it is important to build algorithms on more objective measures, such

as who gets dismissed for poor performance, for instance. The different challenges facing the application of AI to human resource management can be classified into 4 categories:

- 1. Complexity of HR Phenomena:** It is not fair to label someone a “good employee” based on his/her performance appraisal scores. This is because most jobs are reasonably complex and interdependent with other jobs, rendering it difficult to disentangle individual performance from group performance.
- 2. Small Data:** The data sets in human resources tend to be quite small by the standards of data science. Even the large corporations do not have enough employees or datapoints to enhance the predictive accuracy of machine learning.
- 3. Ethical and Legal Constraints:** As soon as a machine starts to make hiring and firing decisions, issues of procedural justice begin to surface. Employers must be able to explain and justify their practices in order to ensure that they are perceived as fair.
- 4. Employee Reactions to AI Management:** Some applicants today are beginning to reverse engineer algorithms; once they discover how a hiring algorithm functions, they can respond differently in interviews and render the algorithm worthless.



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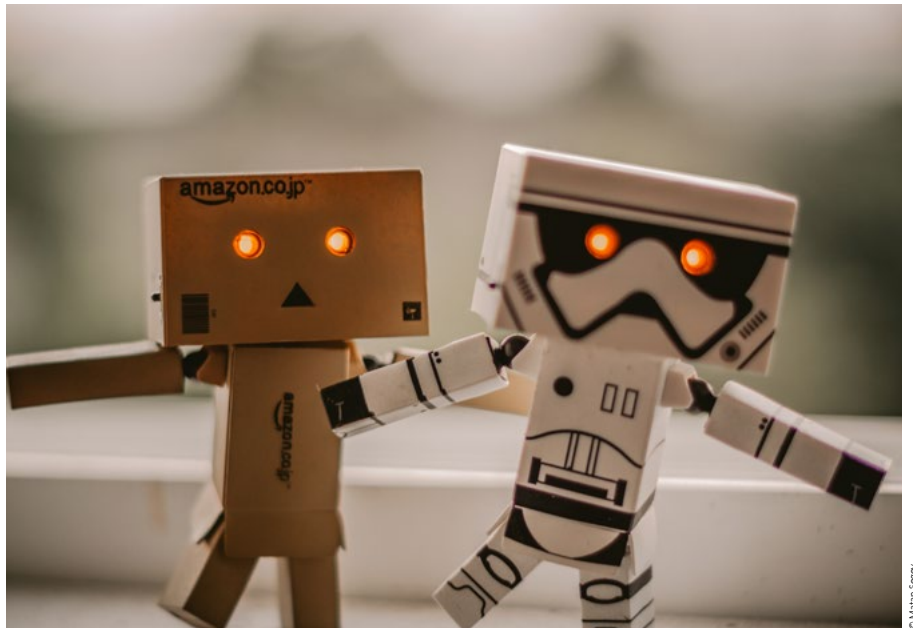
GETTING THE DATA RIGHT

Before launching a major Digital HR project, employers should determine what data is necessary and audit what is already available. For example, if a company wants to use a machine-learning algorithm in hiring, it needs to collect historical data on job candidates who were not hired as much as it needs data on the ones hired.

Once they know what data is required, companies often invest a lot of money to collect aggregated data on source of applicants, compensation, performance and so on. This is great because specialised vendors can combine data from hundreds of client companies to generate their algorithms. But then a client company often does not know how to integrate the data collected from different vendors because the different systems are rarely compatible. In fact, most of the HR practitioners we spoke to reported that they still use Excel – instead of more purpose-built tools – to manage their data from different sources. Problems of data integration aside, there is also the issue of being able to gauge the extent to which an algorithm built on data from diverse sources will make effective predictions in a specific organisation.

In order to benefit from a digital transformation, companies could start off with a few important steps:

- **Aggregate data from multiple perspectives over time.** Data sharing between the HR department and other functions should be made a priority in the short-run, and investment in data standardization and platform integration a priority for the long-run.
- **Set objective performance measures:** These measures should be complemented with more subjective evaluations to capture the less tangible outcomes, such as employee fit into company culture.
- **Develop a causal model:** Small data, coupled with managerial experience, should be used to identify causal predictors of the outcome of interest. Google runs randomised experiments for HR phenomena such as the optimal number of interviews per job candidate to test out causal assumptions. This is important because AI-analyses can be worthless in absence of a solid causal model that generates the outcome of interest.



DEALING WITH THE 'BAD' ALGORITHMS

HireVue is a vendor which helps companies to conduct video interviews and then uses facial expressions to predict candidates' future performance in the company. But the bias lies in the fact that the algorithms used for prediction are trained on data from other top performers at the client firm. By examining only those who are successful, HireVue is essentially ignoring the factors which distinguish the best performers from other performers.

There is also the fact that employees of a company are usually comprised of majority populations (e.g. white employees) and minority populations (e.g. African American employees). Algorithms that maximise predictive success for the population as a whole may discriminate against predictive success for the minority population. This problem can be resolved by generating separate algorithms for each population. But that leads to the risk of a conflict with legal and ethical norms of equal treatment. In a nutshell, the trade-off between accuracy and fairness is not easy to manage when implementing machine learning.

“The trade-off between efficiency and appropriateness can be tricky when it comes to AI in HRM.”

EMPLOYEE REACTIONS TO HRM TRANSFORMATION

Employers are increasingly delving into the social media pages of their employees or leveraging on technology to gauge the tone of comments that employees post on internal chat boards. This helps employers to predict employee flight risk. But naturally, employees consider such practices as infringements upon their privacy. The fact that data can persist well beyond its intended use is generating even more controversy. As a result, computer scientists are actively working to randomize data during the collection process in order to gather useful information about the population while learning nothing about an individual.

Employers who are delegating formal decision making to AI are also walking on thin ice. Imagine an employee who shares a great workplace relationship built around trust and empathy with her manager. If her manager requests her to work an extra weekend shift, she is probably not going to complain. But if it's software that generates this schedule, she is likely to be rather disgruntled since there is no goodwill between her and the programme. The repercussions extend to good news as well. When an employee receives a bonus, it leads to an amiable relationship between the employee and her supervisor if the supervisor appears to have been involved in the decision. This does not happen if the decision for a bonus comes from an algorithm.

NEED FOR A PARADIGM SHIFT IN MINDSET

Algorithms have been proven to perform better than human judgment when it comes to predicting repetitive outcomes. Unfortunately, though, the decision to apply machine learning to human resource management is riddled with trade-offs and controversies. Computer algorithms of causal discovery could help to minimise the causal dependence on factors outside an individual's control, such as their race or birthplace. The perception of fairness can also be enhanced through randomisation.

But none of this would bear fruit without a transformation in the mindset of HR leaders and line managers. They need to train themselves to make informed use of the insights generated by workforce analytics. A digital transformation will be possible only when employers understand and facilitate machine learning in a way that minimises the tension between efficiency and appropriateness, and ultimately contributes to the company's bottom-line.



Valery Yakubovich



TODAY ONLY 22% OF FIRMS SAY THAT THEY HAVE ADOPTED ANALYTICS IN HUMAN RESOURCES. THIS CAN BE ASCRIBED TO THE HUGE DISCONNECT BETWEEN THE DATA SCIENCE COMMUNITY AND THE HR COMMUNITY.

THE MYRIAD HR OPERATIONS FROM HIRING AND TRAINING TO PERFORMANCE MANAGEMENT PRODUCE AN INCREDIBLE VOLUME OF DATA: THIS CAN BE SYNTHESIZED TO BUILD ALGORITHMS THAT CAN IMPROVE THE EFFICIENCY OF FUTURE HR OPERATIONS. HOWEVER, IT IS IMPORTANT TO BUILD ALGORITHMS ON MORE OBJECTIVE MEASURES.

THE DIFFERENT CHALLENGES FACING THE APPLICATION OF AI TO HUMAN RESOURCE MANAGEMENT CAN BE CLASSIFIED INTO 4 CATEGORIES: COMPLEXITY OF HR PHENOMENA, SMALL DATA (WHICH MAKES IT DIFFICULT TO ACHIEVE PREDICTIVE ACCURACY), ETHICAL AND LEGAL CONSTRAINTS, AND EMPLOYEE REACTIONS TO AI MANAGEMENT (SOME APPLICANTS TODAY ARE BEGINNING TO REVERSE ENGINEER ALGORITHMS).

TO AVOID BIAS, SEPARATE ALGORITHMS SHOULD BE GENERATED FOR EACH POPULATION WITHIN A COMPANY (I.E. BLACK VERSUS WHITE, AGE GROUPS, ETC.)

TO AVOID BREACH OF PRIVACY, COMPUTER SCIENTISTS SHOULD WORK ON RANDOMIZING DATA DURING THE COLLECTION PROCESS IN ORDER TO GATHER USEFUL INFORMATION ABOUT THE POPULATION WHILE LEARNING NOTHING ABOUT AN INDIVIDUAL.

A DIGITAL TRANSFORMATION WILL BE POSSIBLE ONLY WHEN EMPLOYERS UNDERSTAND AND FACILITATE MACHINE LEARNING IN A WAY THAT MINIMISES THE TENSION BETWEEN EFFICIENCY AND APPROPRIATENESS, AND ULTIMATELY CONTRIBUTES TO THE COMPANY'S BOTTOM-LINE.

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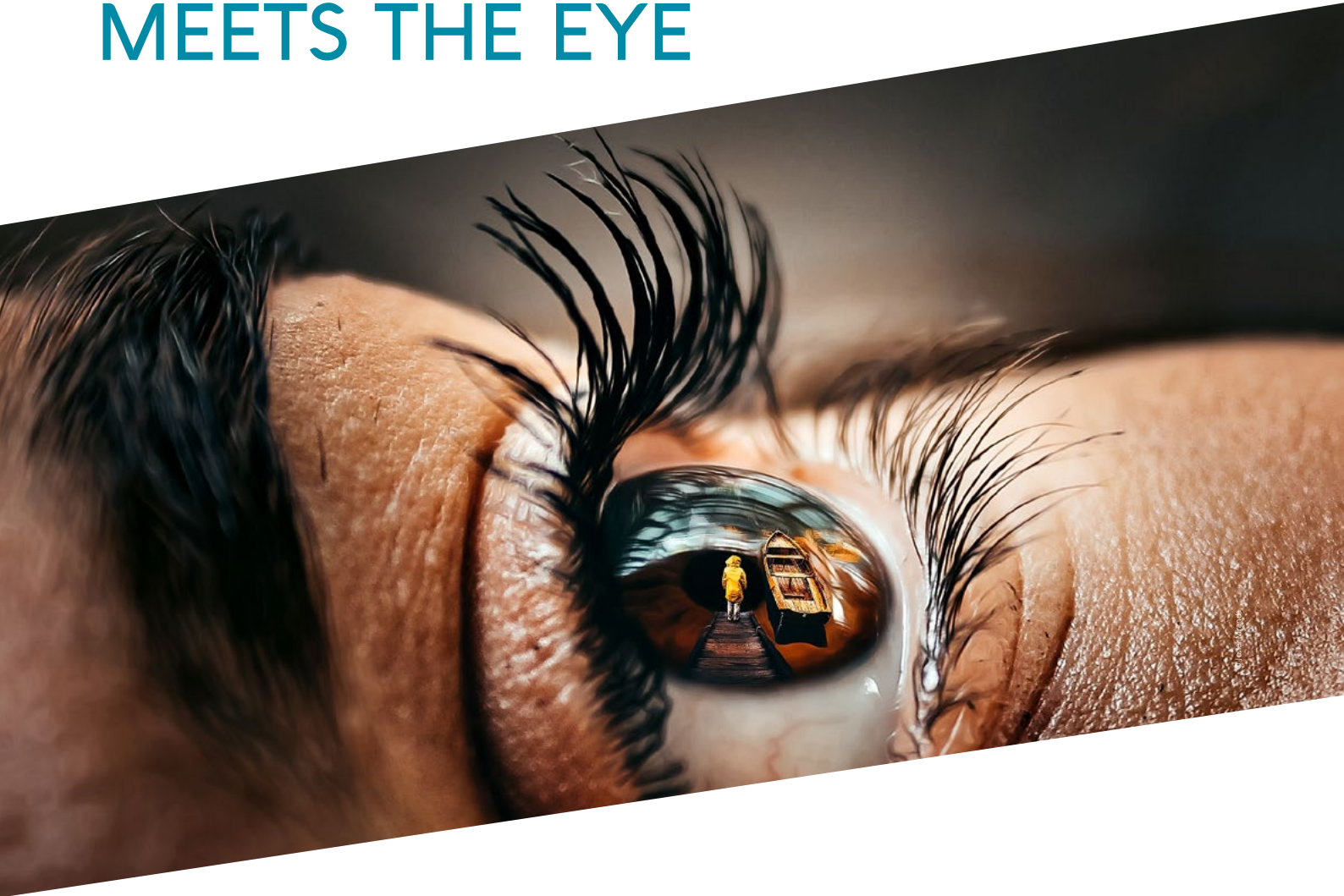


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THERE IS MORE TO DIVERSITY THAN WHAT MEETS THE EYE



Can't get your team's consensus on anything lately? It could be a good sign. **Maja Korica**, Associate Professor of Management and Organisation at **Warwick Business School**, sheds light on how differences and inclusivity in organisations can improve their performance – in more ways than one.

DON'T CAUSE, ONLY CORRELATE

YES, WE HAVE ALL HEARD IT BEFORE – company diversity leads to more profits. And for good reason: a study by McKinsey based on 366 Canadian companies in 2015 suggested that ethnic and racial diversity correlated to a 35% increase in financial

returns while gender diversity led to a 15% increase in the same. It is one of the many instances that we can find of cases where diversity has positively affected the bottom line. The CEO of the Royal Academy of Engineering recently argued that "Inclusion is the key to your bottom line". But, equating diversity and inclusion with the bottom line can be both dangerous and counterproductive. Stu-

dies like that of McKinsey's are careful to stress that correlation is not the same as causation. Clearly there are other factors entwined in it. Untangling these factors to demonstrate a direct link between the two principle factors is exceedingly difficult, especially in large studies. And besides, an argument revolving around the bottom line breeds an unhealthy assumption to begin with.



In a recent book called 'Meltdown: Why our systems fail and what we can do about it', co-authors Chris Clearfield and Andras Tilcsik offer an interesting insight. They state that it's not the unique perspective of the individuals, but the overall scepticism of the group arising out of it, that makes diversity so important.

Their claim is backed up through examples ranging from boards of small US banks during the 2008 financial crisis to lab experiments studying how admission committees decide on which students should be accepted at their universities. Each instance demonstrated that more diverse groups questioned more, paused to consider different evidence and perspectives, and were less likely to accept a clearly wrong answer.

Specifically, such groups worked well because they countered the three key dangers of homogeneous groups: over-reliance on experience, over-confidence, and little productive conflict.

A DIFFERENT PERSPECTIVE

Renowned psychologist and writer Cordelia Fine suggests that this correlation places an unhealthy obligation on women and minorities to justify their inclusion through their contributions to the company's financial performance, rather than on the majority to justify their continued prevalence. And given the context where non-inclusive organisations are continually failing, including financially, this certainly raises a few red flags.

Instead, if the business case of diversity and inclusion were to focus on how greater diversity and inclusion contribute to better work and business in a broad sense, it would be more productive both for individuals and organisations.

FROM DIVERSITY TO INCLUSION

In a talk at the London School of Economics, Professor Quinetta Roberson, an expert in organisational diversity and inclusion, outlined what diversity is – the representation of different groups, their fair treatment and an equal opportunity for contribution.

Inclusion, on the other hand, implies taking this a step further – it means extracting the true value that these differences bring. It is about being 'meaningfully involved in the

work'. For this to take place, what is important is that such individuals need to know what is going on or are well-informed, have the means or resources to act on this information, and can work in a sound collaboration to maximise the potential of that diversity. Additionally, it's also critical that such individuals are engaged as equal members and not just representatives or spokespersons for their minority categories.

Through decades of research on groups under these circumstances, it was found that greater diversity and inclusion facilitated better creativity, innovation and problem solving.

MORE TO IT THAN MEETS THE EYE

As such, all evidence points to the fact that greater inclusion could very well lead to better decision making. And although the effects of better decision making are hard to statistically quantify, they are positive nonetheless, since peer scrutiny makes us focus better on our work.

Another take away from this is that financial outcome is only one of the many forms of or-





“ The three key dangers of homogeneous groups: over-reliance on experience, over-confidence, and little productive conflict. ”

organisational value that diversity brings. Inclusion can bring positive value to organisations in the form of innovation, creation, culture and negotiations – essentially in any situation where homogeneous thinking is considered a deterrent to progress.

As such, diversity and inclusion might only correlate to financial performance – but we can very well see a direct impact on other value brought to the company and in fields which, in future years, will take on more importance.



CORRELATION BETWEEN DIVERSITY AND BOTTOM LINE PLACES AN UNHEALTHY OBLIGATION ON WOMEN AND MINORITIES TO JUSTIFY THEIR INCLUSION THROUGH THEIR CONTRIBUTIONS TO THEIR COMPANY'S FINANCIAL PERFORMANCE

DIVERSITY MEANS THE REPRESENTATION OF DIFFERENT GROUPS, THEIR FAIR TREATMENT AND AN EQUAL OPPORTUNITY FOR CONTRIBUTION. INCLUSION ON THE OTHER HAND, IMPLIES EXTRACTING THE TRUE VALUE OF THESE DIFFERENCES.

GREATER DIVERSITY AND INCLUSION FACILITATES BETTER CREATIVITY, INNOVATION AND PROBLEM SOLVING. IT IS NOT THE UNIQUE PERSPECTIVE OF INDIVIDUALS, BUT THE OVERALL SCEPTICISM OF THE GROUP ARISING OUT OF IT, THAT MAKES DIVERSITY SO IMPORTANT.

INCLUSION CAN BRING POSITIVE VALUE TO ORGANISATIONS IN THE FORM OF INNOVATION, CREATION, CULTURE AND DECISIONS – ESSENTIALLY IN ANY SITUATION WHERE HOMOGENEOUS THINKING IS CONSIDERED A DETERRENT TO PROGRESS.

ALTHOUGH THE EFFECTS OF BETTER DECISION MAKING ARE HARD TO STATISTICALLY QUANTIFY, THEY ARE POSITIVE SINCE PEER SCRUTINY MAKES US FOCUS BETTER ON OUR WORK.



Maja Korica,

TIMES HAVE CHANGED



Time to follow
@The_CoBS

YOUR PLAYBOOK FOR CRACKING WICKED PROBLEMS



© Sourav Mishra

Ana de Almeida Kumlien, Research Fellow in Innovation, Networking and Learning in the Water Industry, **Trinity College Dublin** and **Paul Coughlan** Professor in Operations Management, **Trinity College Dublin**, map out a potential framework to navigate through 'wicked' problems.

From the paper "*Wicked problems and how to solve them*"

TAMING WICKED PROBLEMS

NOT ALL PROBLEMS ARE EQUAL

– some are more roguish than others. The concept of 'wicked' problems, as opposed to 'tame' problems, emerged during the 1970s.

A tame problem can generally be solved by selecting and applying the correct algorithm, like in the case of mathematical problems or puzzles. If you fancy a game of chess, you probably have a knack for solving tame problems. But then there are the rather convoluted problems which do not come with a

playbook for optimal solutions. These are the 'wicked' problems. They encompass issues that are so complex that it is difficult to grasp what exactly the problem is, let alone find a complete solution to the problem.



A more realistic approach to this complex problem would be to combine inputs from multiple academic disciplines with relevant practical expertise. In fact, interdisciplinary research is an essential aspect of recent EU and UK policies, and they foster an environment for innovation in tackling wicked problems. And that is exactly how the issue of water reservoir depletion is being handled in Ireland. An interdisciplinary project has been initiated on water supply, spearheaded by engineers, and environmental, geography and management researchers who are working together with a network of industry and water authorities. While the engineers, geographers and environmental scientists develop field trials of new technology, the management researchers bring the right people together to ensure adoption becomes reality. These researchers are more invested in trying to decode the thought processes of water authorities, users and corporates. What motivates these stakeholders? Only through critical reflection on their decision-making process can the researchers develop means to overcome the barriers these stakeholders are currently facing.

It is evident that without the management researchers, the work of the scientists would probably gather dust on the shelves of some obscure lab. Conversely, neither should we underestimate the power of science and technology in addressing wicked problems.

How does one approach problems of food security, increasing antibiotic resistance, global warming or even wars, for that matter? You would probably be grappling with a tangled mess of thread, wondering which to pull first! Water problems are one such mob of wicked problems which have been researched for long. Keeping the water supply running smoothly despite dilapidated water networks, bursting pipes, leakages and hosepipe bans is an omnipresent problem all over the world. Even geographies with seemingly abundant water reserves can be plagued by small changes in rainfall patterns.

Let's take the example of Ireland. Last summer, it experienced less than adequate rainfall which led to a dry spell that could only be compared to the one in 1976. As the country's water reservoirs fell to low levels, the authorities issued warnings of an imminent crisis. Now this was a problem which was linked not just to a particularly dry summer but to multiple other factors such as increased water demand, nearly 50% water leakage and a chronic underinvestment in water distribution systems. So, how do we tame this problem?

WHEN SCIENCE AND MANAGEMENT JOIN FORCES

When it comes to solving this water crisis in Ireland, the first instinct is to call for more investment in researching water technologies. But that really isn't the answer here. Research is certainly the obligatory precursor

to technology, but sometimes research does not necessarily lead to innovations that see the light of day. There is a common cycle of research and development that typically transpires in universities: researchers identify a problem, compete for funding and then explore potential solutions to the problem. From there on, however, several factors get in the way of applying research findings to real life conundrums. Academics often lack the guidance and incentive to apply their research. The urge to get published usually surpasses the desire to make a meaningful contribution to society or business.



“Working in a silo can never ensure adoption of a new technology.”



INNOVATION, WITHOUT ADOPTION, IS FUTILE

Interdisciplinary research, while essential, is not sufficient to tackle wicked problems by itself. In order to make a significant dent in the global water and energy problem, and indeed any other grave issue, researchers need to step out of the lab and work hand-in-hand with industry, local communities, decision-makers and legislators. Working in a silo can never ensure adoption of a new technology. Early adopters coming from all walks of the community are invaluable for testing out initial prototypes. Researchers have a lot to learn, and improve upon if necessary, from the feedback of early adopters. A specialised task force should be dedicated to dive deep into the insights generated from early adopters and then brainstorm on ways to exploit the opportunities and overcome potential barriers. The very nature of wicked problems is such that the more one attempts to resolve it, the more the issue reveals itself. Industry members, policymakers, users, practitioners and other researchers need to collaborate and share their evolving understanding of the wicked problem in order to reach a solution which is at least satisfactory, if not perfect.

BACK TO SCHOOL

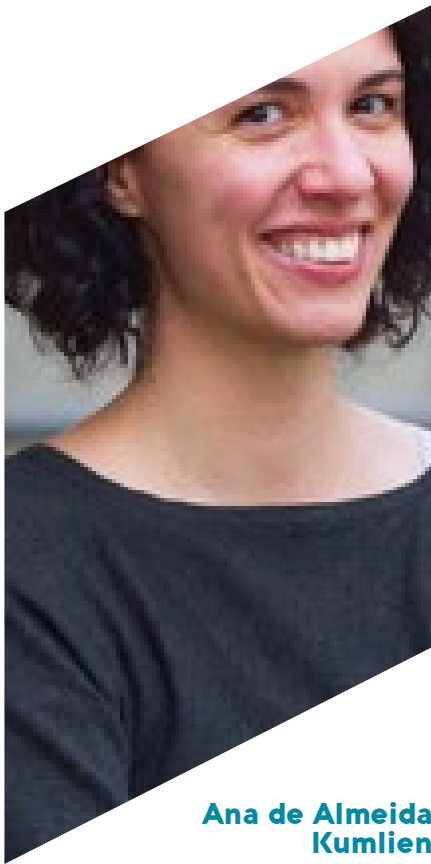
There are some other ways to speed up technology adoption as well. One such way is the intuitively simple practice of “show-and-tell” which all of us are familiar with, thanks to those good old days in elementary school. A demonstrator can be engaged to show-and-tell a new technology to early adopters. While demonstration is a concept broadly explored by industry, it is often overlooked by researchers. And that is a pity because demonstration sites are like open air labs that enable practitioners and researchers to interact, debate and co-create. We can look at UNESCO for some inspiration. UNESCO has been facilitating its long-term eco hydrology initiatives using demonstration sites to teach local communities how to be more resilient, healthy and sustainable. Such sites also have the potential to apply new research effectively by highlighting savings and advantages, and mapping out the obstacles to be overcome.

NOT SO WICKED ANYMORE

In a nutshell, research on new technology alone will not resolve wicked problems. In fact, laboratory prototypes rarely reach real world end users. What is needed, instead, is for researchers to work across disciplines, collaborate with all relevant stakeholders and engage in show-and-tell demonstration sites.

For the Irish case in point, an interdisciplinary team is already working together to restore normal water supply. At the same time, it is working with three demonstration sites. The first recovers energy from the water distribution network in a small Irish rural community for use in its water treatment plant. The second is in a National Trust property in Wales and is using micro-hydropower to run this national monument. The third is also located in a National Trust landmark called Penrhyn Castle, where heat is recovered from kitchen wastewater. Wicked problems, by definition, cannot have a panacea. But let's hope that with these practices in place, the ideas developed in the lab to solve the crisis in Ireland, will see the light of day.





**Ana de Almeida
Kumlien**

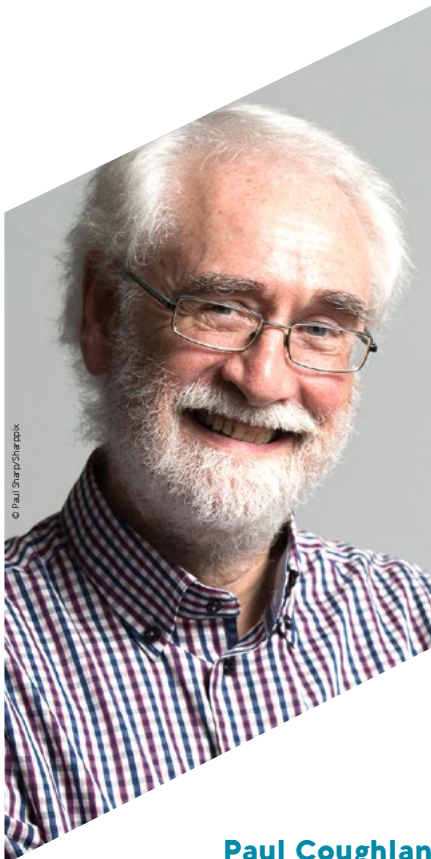
EVERY WICKED PROBLEM IS AS UNIQUE AS IT IS COMPLEX. ATTEMPTS TO UNRAVEL SUCH PROBLEMS OFTEN LEAD TO NEW PROBLEMS BEING REVEALED. SOME EXAMPLES OF WICKED PROBLEMS INCLUDE FOOD SECURITY, GLOBAL WARMING AND WATER CRISIS.

THE DEPLETION OF WATER RESERVOIRS IN IRELAND WAS ONE SUCH PROBLEM BECAUSE IT WAS LINKED TO MULTIPLE FACTORS SUCH AS A DRY SUMMER, RISING WATER DEMAND AND UNDERINVESTMENT IN LOCAL WATER DISTRIBUTION SYSTEMS.

WICKED PROBLEMS SHOULD BE ADDRESSED WITH INTERDISCIPLINARY RESEARCH. ONLY WHEN SCIENCE AND MANAGEMENT JOIN FORCES, CAN INNOVATIONS MATERIALISE TO RESOLVE PROBLEMS.

EARLY ADOPTION OF SOLUTIONS IS NECESSARY TO ENHANCE THE UNDERSTANDING OF WICKED PROBLEMS AND THIS REQUIRES COLLABORATION AMONG STAKEHOLDERS BOTH INSIDE AND OUTSIDE LABS.

DEMONSTRATION SITES CAN MAKE USE OF SHOW-AND-TELL TECHNIQUES TO FURTHER ENHANCE TECHNOLOGY ADOPTION AND PAVE THE WAY FOR RESOLVING WICKED PROBLEMS.



Paul Coughlan



Trinity College Dublin
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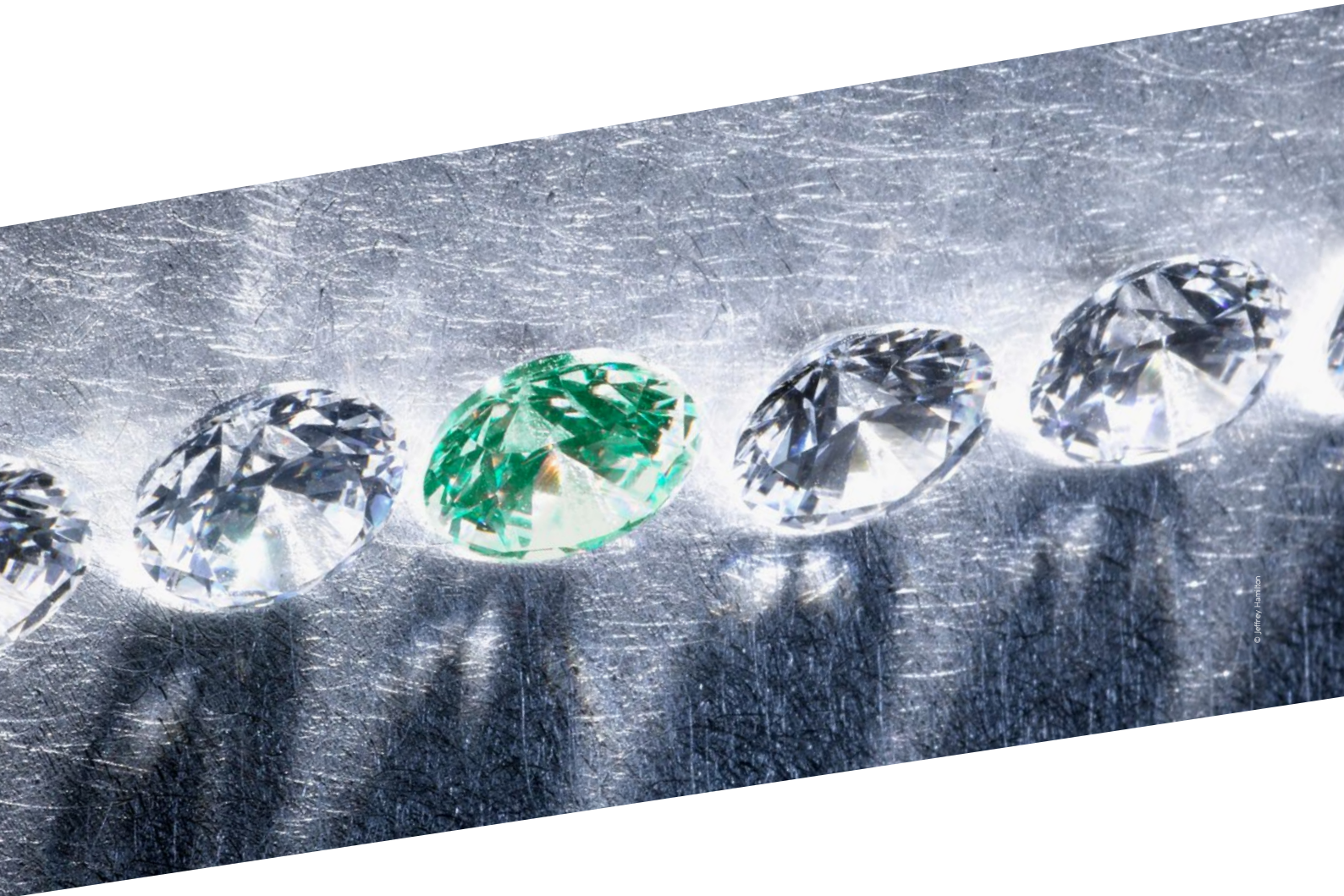
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GREEN DIAMONDS



Ashok Som, Professor of Global Strategy at **ESSEC Business School** and SME on the luxury industry, shares an analysis of the new disruption taking place in the diamond industry: the green diamond.

By Tom Gamble based on the paper by Prof. Ashok Som, ESSEC Business School, The Future Challenges and Opportunities in the Diamond Industry: The Impact of man-made diamond in the high jewelry industry.

SET IN STONE

HUMANS HAVE BEEN putting what Shakespeare referred to as “baubles” on themselves far longer than we might imagine. For most, jewellery sparks images of Hollywood film stars bedecked in sparkling earrings, kings and queens weighted down in

studded crowns, Roman Emperors vainly posing with their gold and ruby rings, and even Egyptian Pharos ornamented with elegant necklaces encrusted with lapis and emeralds. In fact, the desire to look beautiful and demonstrate one's status goes back further still to our remote ancestors in prehistoric times who decorated themselves in shells and co-

loured pebbles. Moreover, precious stones have been a firm feature of this desire to be noticed ever since economic value was given to them. And no stone has been more symbolic, more inspirational and indeed more controversial than the diamond.

WHERE THERE IS LIGHT THERE IS SHADOW

Dubbed the “Slogan of the Century” by the advertising world, “A Diamond is Forever” was arguably one of the best taglines that any brand has conjured up. De Beers, the world’s largest producer, penned the magical metaphor in 1948, playing on keeping its supply on the market to a trickle to foster a notion of rarity. And what is rare comes at a price – indeed a high one regarding the diamond. Diamonds rose not just as a product but as a separate industry in itself with De Beers at its pinnacle. This was fine until the early 1980s when, with increasing interest expressed in the notion of social responsibility, consumers began to become aware of the darker side to the spangled stone. The watershed came with the 2006 film *Blood Diamond* starring the high-profile actor Leonardo DiCaprio with its plot centred around the human misery, war and crime in Africa that could result from the exploitation of the “shining rock”. Caught in the maelstrom was De Beers who managed to ride out the storm that affected both image and market sales by producing a special booklet to accompany every diamond sold – and which recounted the story of the particular gem, certified “blood-free diamond”. The market stabilised.

A GREENER THREAT

The next disruption came not from human rights supporters and the ethical dilemma, but from those concerned by the environment and sustainability. A growing group of consumers – mostly millennials – are placing greater interest not only in the responsible sourcing of diamonds but in the impact generated by their extraction upon the environment. They are, in effect, sensitive to “green luxury”. This pressure has already resulted in several brands actively pursuing sustainable and eco-friendly product lines – Chopard, for example, which uses 100% ethical gold.

But the latest disruption that the diamond industry faces is a technological one. Lab-grown, or man-made diamonds (LGD or MMD), have come to the forefront in the past couple of years. Their increasing popularity is not only because of their lower price, but because of the shine they give as the best option open for environmentally conscious, ethically concerned and technology-literate diamond lovers.



Once again, it seems that the jet set has given a boost to the advantages of choosing a lab-grown diamond to one that saw the light from the bottom of a mine: from film stars parading LGDs designed by Katie Rowland at the Cannes Film Festival, to the adoption of these greener gems by the Duchess of Sussex, Meghan Markle, and back to Leonardo DiCaprio again – always one to shine above the rest – who financially backed the creation of Diamond Factory, a company based in Silicon Valley producing lab-grown diamonds.

IT MAKES THE WORLD GO ROUND – EVEN A GREENER ONE

We all know it's love, but most of the others know it's money – and all those who remain know it's the environment. Let's return to the millennials. Through surveys and studies, the marketing specialists unearth the fact that millennial consumers have preferences which make them distinct from previous generations. Value-conscious, more concerned by sustainability and ethical production, averse to standardised, mass produced products, this population – that might include you, the reader – tends to desire unique value and individual products. They value experiences more than gifts. Again, according to market research by Deloitte in the US, 49% of American millennials are likely to consider sustainability issues before making a luxury purchase. In China, this figure reaches 38%.

If sustainability is ranked high up on the decision to purchase, then this is indeed good for the planet. The International Grown Diamond Association (IGDA) claims that natural diamond mining produces a staggering 1.5bn times more carbon emissions than lab-grown diamonds, at 57,000 g per carat, versus 0.028 g per carat.





“

Natural diamond mining produces a staggering 1.5bn times more carbon emissions than lab-grown diamonds.

”

cets of its diamonds – on the one side continuing the legend by stating that natural diamonds mark life's greatest moments, and on the other explaining to greener consumers that “Lightbox jewellery is not forever – but fine just for now.”

Lab-grown diamonds are primarily produced in Malaysia, China, Russia and some other Asian countries such as Singapore, which houses the world's largest diamond-growing plant, and high-end players in the jewellery sector have begun not only to accept them, but endorse them.

The challenge for both – natural and synthetic – is that diamond jewellery appears low on the list of Millennials' potential purchases. Indeed, demand for diamond rings has stagnated in the US.

A GLIMPSE THROUGH THE CRYSTAL BALL

People power – or should we call that consumer power – it seems, is winning through in the ethics and sustainability debate. Uninfluenced by corporate marketing but rather through social media and genuine interest in making business more responsible, their voice is growing organically. The diamond industry is listening to them – and changing its ways.

Producers and high-end brands alike are changing their tone to adapt to this people pressure, not only endorsing that they sell conflict-free diamonds but that they are also investing in sustainable initiatives such as recycling and reusing the metals in their creations or then again supporting the improvement of working conditions for those extracting the stones in mines.

The concern for the environment among consumers – no-doubt linked to awareness of global warming – shows up in the stats. In 2018, a survey by MVI Marketing suggested that nearly 70% of millennials are willing to propose with man-made stones, 13% more than the population addressed in 2017. And an interesting thing about man-made or lab-grown diamonds – which please these value-conscious consumers – is that they cost 30% less than the naturally occurring diamonds of comparable size and quality. However, they are every bit as luxurious and beautiful as the mined ones. Here too, research has identified that the price of a diamond is a key driver for consumers' purchase decisions. Surprisingly, this is even more a factor among the wealthy who can, we would imagine, afford to pay higher prices and opt for a natural diamond. But then again, the wealthy didn't get wealthy by spending as much as they can.

The figures speak for themselves. The man-made diamond jewellery market was worth \$1.9 billion in 2018 and is expected to grow 22% annually to \$5.2 billion by 2023 and \$14.9 billion by 2035. Moreover, production of man-made diamonds is also increasing: from 350,000 carats in 2014 to 4.2 million carats in 2016 and it is continuing to grow. To quote the great dream weaver, Walt Disney, the future looks “bright and glittering” indeed for both the manufacturers, vendors and consumers of lab-grown diamonds.

TANGERINE TREES AND MARMALADE SKIES

As crystallized carbon grown synthetically in a controlled laboratory environment, lab-grown diamonds have similar magical qualities as earth-mined diamonds and are extremely difficult to distinguish from their natural cousins. Given the market surveys and shifting consumer trends, the traditional industry players have since attempted to re-adapt their strategies. Lab-grown diamonds are no longer “Lucy in the sky” – eccentric blips in the eye of the consumer – they are taken seriously. De Beers, ever-clever in its reactivity, has gone for a two-pronged strategy that for industry acolytes has produced a singular, tangy sort of tangerine marmalade mix: they continue to invest in and market their natural diamond business while at the same time venturing into the man-made diamond production. “Real is Rare” reads the De Beers tagline when urging consumers to continue buying natural diamonds, but that didn't stop them from creating, in late 2018, a whole new company called Lightbox dedicated to selling synthetic ones. De Beers have also attempted to add shine (and value, including price) to their traditional business by incorporating CSR and sustainability dimensions into their mining activities: buying a De Beers diamond made in countries like Botswana, a customer will support the education of children until the age of 13. It has also, like others, brought more transparency into the value chain with probable future developments including the use of AI and Blockchain to ensure that the diamond chain goes unhacked by potential villains and wrongdoers. Playing both fields, De Beers promotes the two fa-

The rise of the man-made diamond has added to this pressure, with De Beers' launch of its Lightbox company selling MMDs perceived as a threat to the business model and an attack on the luxury and rarity of natural diamonds so many jewellers have traditionally traded on. The diamond market still exists and will do – for if there were no market for natural diamonds, nobody would be trying to sell man-made ones.

But the man-made diamond seems to outshine the natural in terms of future, it seems: they are chemically the same as mined diamonds, potentially carbon-neutral, environmentally sustainable and ethical since they are grown in labs. They're also much lower priced and, as such, affordable. Their success, however, depends highly on consumer perception of their value as well as production economics. This being said, what is the intrinsic value of a pearl necklace? Both natural and cultivated pearls have authentication certificates. So the main difference is about the intrinsic value and perceived value, if distinction is a problem. In the end, there is one value that seems set to gain and remain – if not forever, as is the promise of a diamond – ever-stronger in years to come and especially if the world continues to flaunt Mother Nature: the environment. And this is where green diamonds come in.



Ashok Som



SINCE 1948, DIAMONDS ROSE NOT JUST AS A PRODUCT BUT AS A SEPARATE INDUSTRY IN ITSELF WITH DE BEERS AT ITS PINNACLE.

HOWEVER, THE EARLY 1980S SAW INCREASING INTEREST EXPRESSED IN THE NOTION OF SOCIAL RESPONSIBILITY AMONG CONSUMERS.

IN THE EARLY 2000S, WITH THE FILM BLOOD DIAMOND, PROTEST WAS EXPRESSED AT THE HUMAN MISERY, WAR AND CRIME IN AFRICA THAT COULD RESULT FROM THE EXPLOITATION OF THE STONES.

TODAY, A GROWING GROUP OF CONSUMERS – MOSTLY MILLENNIALS – PLACE GREATER INTEREST NOT ONLY IN THE RESPONSIBLE SOURCING OF DIAMONDS BUT IN THE IMPACT GENERATED BY THEIR EXTRACTION UPON THE ENVIRONMENT.

IT IS REPORTED THAT NATURAL DIAMOND MINING PRODUCES A STAGGERING 1.5BN TIMES MORE CARBON EMISSIONS THAN LAB-GROWN DIAMONDS, AT 57,000 G PER CARAT, VERSUS 0.028 G PER CARAT.

LAB-GROWN DIAMONDS, COST 30% LESS THAN THE NATURALLY OCCURRING DIAMONDS OF COMPARABLE SIZE AND QUALITY AND IT IS ALMOST IMPOSSIBLE FOR THE NAKED EYE TO DIFFERENTIATE THESE FROM NATURAL DIAMONDS.

CELEBRITIES SUCH AS THE DUCHESS OF SUSSEX, MEGHAN MARKLE, AND LEONARDO DICAPRIO ENDORSE LAB-GROW DIAMONDS.

THE MAN-MADE DIAMOND JEWELLERY MARKET WAS WORTH \$1.9 BILLION IN 2018 AND IS EXPECTED TO GROW 22% ANNUALLY TO \$5.2 BILLION BY 2023 AND \$14.9 BILLION BY 2035.

DE BEERS HAS REACTED BY CONTINUING TO PRODUCE NATURAL DIAMONDS BUT AT THE SAME TIME PRODUCE LAB-GROWN DIAMONDS THROUGH ITS COMPANY LIGHTBOX.

THE SUCCESS OF LAB-GROWN DIAMONDS DEPENDS HIGHLY ON CONSUMER PERCEPTION OF THEIR VALUE AS WELL AS PRODUCTION ECONOMICS. THE MAIN DIFFERENCE IS ABOUT THE INTRINSIC VALUE AND PERCEIVED VALUE, IF DISTINCTION IS A PROBLEM.

CORPORATE SOCIAL RESPONSIBILITY IN THE EYES OF MILLENNIALS



© Bruce Mars

Profs. **Marco S. Giarratana** and **Martina Pasquini** of the Strategy Department at **IE University**, share research on the impact of CSR actions on employer and consumer branding.

With kind acknowledgements to IE Insights

IMAGINE COMPANIES NEED TO understand how the millennial generation perceives CSR actions. Local activities linked to the company's core business can help to attract millennial talent and satisfy the demands of this demographic as consumers of products and services.

Corporate social responsibility (CSR) is a strategic business tool that is actually quite easy to define: "Doing good while doing well." This approach stands in contrast to the single-minded focus on profits that until fairly recently dominated the business world. In recent years, many companies have made CSR an integral part of their everyday activity. These companies are now inextricably linked to their social vision, placing equal im-

portance on social objectives and financial performance. These hybrid companies must also satisfy the demands of a new demographic: millennials. With lofty aspirations and stringent demands regarding sustainability and the social component of the economy, this up-and-coming generation is helping to fuel the CSR boom. The relationship between millennials and CSR strategy has become increasingly clear.



LOCAL BUSINESS-RELATED ACTIONS

This issue was recently highlighted by a study of millennials' interest in CSR actions. The study reached two main conclusions: that millennials are more likely to be interested in local activities, and that the most effective initiatives are those related to a company's core business. These findings suggest that millennials perceive CSR actions as more visible and accessible when they are locally based. Moreover, this new generation is likely to view CSR as false advertising if the actions have nothing to do with the company's core business.

33.2% increase. Despite the gap between these two figures, it is clear that both types of actions have a significantly positive effect and that together they can maximize an employer's appeal.

CONSISTENCY IN CONSUMER BRANDING

The study also found certain parallels with millennials' concerns regarding the consumption of particular brands. Although CSR generally has a larger impact on employer branding than on consumer branding, consistency between the two provides an enormous strategic advantage. An overarching

strategy based on local actions associated with the company's core business can do a lot to strengthen the market value of a brand. The study also found that millennials' perceptions are not terribly different from those of their immediate predecessors (Generation X). Therefore, it is possible to establish a single formula for attracting talent through CSR strategy: local social actions linked to the company's core business. The only notable difference between millennials and Generation X has to do with consumption habits. Millennials, with their skeptical and pragmatic outlook, are somewhat less inclined to buy products and services from brands that adopt CSR strategies.

POSITIVE IMPACT ON EMPLOYER BRANDING

The study also looked at the issue of employer branding—that is, a company's ability to attract and retain the best talent. The findings show that millennials are more willing to work for companies that design actions directly related to their core business. All things being equal, companies that engage in this practice find it easier to recruit and retain top talent—a key advantage in a world where organizations are fueled by human capital. Drawing on nearly a thousand survey responses, the researchers concluded that local CSR actions improve employer brand perceptions by 53.1%, while actions related to the core business are associated with a





IN RECENT YEARS, MANY COMPANIES HAVE MADE CSR AN INTEGRAL PART OF THEIR EVERYDAY ACTIVITY. THEY ARE NOW INEXTRICABLY LINKED TO THEIR SOCIAL VISION, PLACING EQUAL IMPORTANCE ON SOCIAL OBJECTIVES AND FINANCIAL PERFORMANCE.

THE RELATIONSHIP BETWEEN MILLENNIALS AND CSR STRATEGY HAS BECOME INCREASINGLY CLEAR.

FINDINGS SUGGEST THAT MILLENNIALS PERCEIVE CSR ACTIONS AS MORE VISIBLE AND ACCESSIBLE WHEN THEY ARE LOCALLY BASED. THIS NEW GENERATION IS LIKELY TO VIEW CSR AS FALSE ADVERTISING IF THE ACTIONS HAVE NOTHING TO DO WITH THE COMPANY'S CORE BUSINESS.

MILLENNIALS ARE MORE WILLING TO WORK FOR COMPANIES THAT DESIGN ACTIONS DIRECTLY RELATED TO THEIR CORE BUSINESS.

MILLENNIALS, WITH THEIR SKEPTICAL AND PRAGMATIC OUTLOOK, ARE SOMEWHAT LESS INCLINED TO BUY PRODUCTS AND SERVICES FROM BRANDS THAT ADOPT CSR STRATEGIES.

WHATEVER THE TARGET AUDIENCE MAY BE, THERE IS A CLEAR RELATIONSHIP BETWEEN A BRAND'S CSR IMAGE AND ITS ECONOMIC PERFORMANCE.

IN THE PAST, CSR ACTIVITIES WERE DEPLOYED DEFENSIVELY, WITH THE AIM OF PREVENTING OR REACTING TO CRISES AND CONFLICTS. TODAY, THEY ARE AN INTRINSIC PART OF BUSINESS STRATEGY.



CSR AS A PART OF THE BUSINESS MODEL

Whatever the target audience may be, there is a clear relationship between a brand's CSR image and its economic performance. By confirming the importance of employer branding and consumer branding—two critical variables for business growth in today's world—the study underscored the strategic significance of CSR and related policies. These findings also point to ways in which the concept of CSR has evolved. In the past, these activities were deployed defensively, with the aim of preventing or reacting to crises and conflicts. Today, they are an intrinsic part of business strategy. Without a doubt, when it comes to strategy, social and environmental concerns are now on equal footing with finance.



Marco S. Giarratana



Martina Pasquini

CoBS *reader comments*



This is one of the best sites [for articles] I have ever visited. We all need to support women entrepreneurs in every aspect. The content is very informative. Thank you for sharing it.

Ashwin

These articles or blog posts are genuinely wonderful and I routinely move them on to my college students who're facing/struggling with exams and research competencies – they listen to you in a very way they really don't to me!

Moinc

Thanks for sharing this stuff, teaching innovation is one of the best points I found here, keep up the good work.

Best Regards.
Fek

This is inspiring and thought-provoking. As businessmen, we indeed need to learn to live with sustainability and mind and we should also learn how to respond to environmental emergencies.

Chelsea L

Hi, I like your articles every week. Your writing style is witty, keep up the good work!

Anon

I love the advice for students about fostering intellectual curiosity. It seems like this can lead to a love and passion for almost anything, especially the energy sector. My brother in law is very interested in futures trading. He's looking into energy market reports.

Jake G

I absolutely love your blog and find a lot of your posts to be what precisely I'm looking for. I wouldn't mind publishing a post or elaborating on a lot of the subjects you write regarding here. Again, awesome blog!

Rudolphe H



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

Business and Society