Practical wisdom: making and teaching the governance case for sustainability

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Abstract
This paper examines the larger role that business education must begin playing in developing a generation of new leaders with the skills required to tackle the complex and increasingly serious challenges of sustainability. It posits a new framework for cultivating more responsible ways of thinking and acting in our current and future business students. The foundation of this framework seeks not just to complement, but to strengthen the two most common arguments for sustainability—the moral case and the economic case—with a third argument—the governance case based on Aristotle’s concept of practical wisdom (Gr. phronesis) as the ‘middle ground’ of thoughtful action. Practical wisdom stands between science (Gr. episteme) and cunning (Gr. metis) and is the habit of acting in ways that are both ethically and economically effective, but above all that support the common good. Practical wisdom strikes balances between individual and common interests, short-term and long-term perspectives as well as between adapting to and shaping the environment. The article notes how accreditation standards for business schools are now including sustainability issues and practices, but more must be done. The article proposes several fundamental changes in how we educate students to start leading businesses beyond the profit motive and corporate social responsibility (CSR) paradigms into responsible and sustainable practices that serve the common good.

1. Introduction

“I have to be honest, as the world watches us today I think our ability to take collective action is in doubt right now...That’s why I come here today – not to talk but to act.” The words were President Obama’s, spoken at the United Nations Climate Change Conference (COP 15) meeting in Copenhagen on 18 December 2009. International media had just reported that the climate talks were in disarray and that summit collapse was likely. The steam that had energized hope before Obama’s appearance at the meeting seemed to have dissipated into the cold winter storm that unexpectedly arrived to cover the Danish capital in snow.

Since that meeting, four more COP climate change conferences have convened, with barely any agreements of serious impact to all result, he argues, in decline in the quality of human life and the breakdown of political leaders, delegate ministers, and competing lobbyists for industry and environmental organisations spend most of their energy clashing about what future actions to take and who owns the financial responsibilities to clean up the world and alter our course. As a result, when the Intergovernmental Panel of Climate Change (IPCC) issued its Fifth Assessment Report, their conclusions were dire: it is possible to limit the increase in global mean temperature to 2 °C above pre-industrial levels, but this will call for major institutional, technological, and behavioural change.

Still, little is being done, and the situation is now becoming more dire. In 2015, even the Pope believed it was time for the Papacy to join the public debate. A year after a combined Pontifical Academy of Sciences and Academy of Social Sciences conference on “Sustainable Humanity, Sustainable Nature: Our Responsibility,” the Vatican published in May 2015 the encyclical Laudato Si (Praised Be). In this text, Pope Francis outlined what will become Catholic doctrine about environmental stewardship and, specifically, the Papacy’s agreement that humans are having an effect on the climate. Pollution, waste, a throwaway culture, warming, depletion of drinking water, and loss of biodiversity—all result, he argues, in decline in the quality of human life and the breakdown of
society. In sum, “the climate is a common good, belonging to all and meant for all” (i:23).

I write this as Dean of Jönköping International Business School (JIBS) in Sweden, because I feel an obligation to contribute to shaping new leadership to help break through the quagmire we have created for ourselves regarding business’s role in sustainability.1 In the broadest sense, the issue before us is how to educate a new generation of leaders who can make decisions and take actions that can be judged “responsible” by the community we are a part of. Business schools need to be turning out leaders who excel at systems thinking and who have the capacity to understand the “interconnectedness of the myriad sustainability-related problems,”2 including climate change, poverty, pollution, the potential failure or short-falling of our food-production systems, and the erosion of trust in our socio-political institutions. These leaders need to appreciate the ideal of the common good—what is shared and beneficial to all—while shunning the tragedy of the commons—when powerful individuals pursue self-interest contrary to the best interests of the community as a whole. Cross-disciplinary, cross-ideology and cross-sector leadership are now required to create the innovative solutions we need to solve the looming problems in our unsustainable societies.

1.1. More than business ethics

Initiatives like UN Principles for Responsible Management Education, World Business School Council of Sustainable Business, and the Globally Responsible Leadership Initiative already encourage the necessary transformation of business education and provide invaluable guidelines for what business schools need to do. In this paper, however, I present an overarching framework that I believe can lay a strong foundation for any set of guidelines regarding how we move forward to build new leadership for a sustainable world. This framework seeks to complement, and boldly strengthen, the two most common arguments for sustainability—the moral case and the business case—with a third corollary argument—the governance case. By ‘governance,’ I refer to the broadest sense of the word: defining expectations, making decisions, granting power, and allocating resources towards a goal based on wise choices that lead to creating a harmonious, lasting society.

Many would argue that the moral and economic arguments for sustainability are already strong in and of themselves. In my view, however, both continue to be susceptible to manipulation and “Trojan-like” backdoor objections from parties who have vested self-interests to maintain the status quo of unsustainable business practices. The governance case that I posit is the strongest, most logical and irreproachable of all arguments justifying the new type of leadership needed to preserve and defend the common good and avoid the tragedy of the commons. It is a solution that I propose all business schools and practitioners adopt going forward.

This is not to suggest that sustainability, ethics, and responsibility are not already taught in business schools worldwide. Most often covered under the rubric of “corporate social responsibility (CSR),” elements of sustainable thinking are increasingly incorporated into business education. In fact, CSR has long been part of the academic discourse as well as business practices (e.g., Carroll, 2004; Porter and Kramer, 2006, 2011). Most business schools offer courses in CSR, or at least the somewhat adjacent concept of “business ethics” in their programs. Of the 13,000 business schools in the world, more than 550 have signed up to educate “a new generation of leaders capable of managing the complex challenges faced by business and society in the 21st century” by implementing the six principles of responsible management education (PRIME, see www.unprm.org). Many corporations have also committed themselves publicly to adhering to a range of CSR-related standards.

However, I contend that this is far from good enough. The six principles of PRME are overall strategies that state in general terms what business schools ought to do; they are not law, nor are they concretely prescriptive. All signatories can do whatever they like or what sounds good to them. To what extent these principles are meaningful drivers of profound transformation remains a debatable question—and there are some experts in the sustainability field who would say they aren’t.

From my decades in business education, the current manner of teaching CSR in the business curricula as well as practicing it in the business world do not go far enough to integrate deep, systematic sustainability thinking into the mind-set of the next generation of business leaders. CSR is still highly rooted in the moral and economic arguments for sustainability, leaving it vulnerable to attacks and counterarguments that these frameworks invite from naysayers and doubters. CSR has clearly yet to win the hearts and minds of the entire business world, especially during economic downturns when businesses appear to abandon it first to save their ships. It is not surprising that CSR has taken decades to become a somewhat acceptable corollary to economic theories of growth, nor is it shocking that CSR activities are still most often relegated to cursory post-profit activities that have little to do with comprehensive and globally integrated efforts to create businesses committed to sustainability.

1.2. Objective: a governance case

My objective in this paper is to push deeper into the nature of systematic leadership thinking and demonstrate a robust framework that can withstand the challenges of vested interests and maximize the chances of increasing the knowledge, thinking capacities, and decision-making skills of today’s business, social, and political leaders to create meaningful sustainable business activities. The governance framework I propose seeks to transform the fundamental thought processes for how leaders analyse their business operations and approach both long-term strategy and short-term operations using a far more enduring and humanistic heuristic than ‘profit’ or ‘moral obligation.’

1.3. Outline

I will begin by examining the moral and economic cases for sustainable business thinking, then present my complementary, reinforcing governance case. To be clear, throughout this paper, when I talk about sustainability, I am referring to the widest, most comprehensive range of attitudes and actions that humans must perform in order to ensure and protect the continued survivability of the human species and the planet. In this sense, sustainability includes ecological and environmental concerns, but also economic, social, political, and health-related issues. Sustainability is, a priori, about maximizing the survivability of as much of the planet and the human race as possible. It cannot be about ruining one portion of the planet for the benefit of some group of vested parties, nor about forsaking one group of people to improve the lives of others. These criteria for sustainability may exist as possible

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1 I was dean of JIBS during a time period of great transformation, 2012–2015, in terms of strategy, structure and ways of execution, which culminated in winning both the EQUIS and AACSB accreditation in 2015. From January 2016 I am part of the leadership team of Hult International Business School.

2 I gratefully acknowledge the phrasing used in the call for papers for this special issue.
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