

ISEN 405 – Corporate Sustainability & Value Creation (1.0 credit)

Instructor: Klaus Weber; Professor, Management and Organizations; Kellogg School of Management

Class Timing: Winter Quarter, Initial offering in Winter 2020 (for non-MSES students)

Office Hours: By appointment

Course Synopsis

This class will explore the emerging market for leveraging sustainability to drive value (reduced risk / increased innovation) in the corporate environment & will provide students with a primer on leading standards and sustainability reporting.

Course Goals

- Understand the value of sustainability / Environmental, Social, Governance (ESG)
- Learn to assess an organization's resource footprint
- Explore the economic aspects of sustainability, key stakeholder views on sustainability and how they are driving the market
- Establish a baseline understanding of what corporate sustainability is and how it is measured and reported (e.g. GRI, TCFD and CDP indicators)
- Trends in institutional investing (e.g. CalPERS, Blackstone)
- Regulatory compliance and governance (Sarbanes-Oxley/financial disclosure, role of government in ESG)
- Business case for ESG / sustainability, including risk management, CSR, shareholder value; what organizations are leading?
- Difference between sustainability goals and legal structures to drive sustainability such as B-corps
- Brand Value, Marketing & Reputation; Greenwashing
- Operationalizing sustainability, including procurement considerations – (ex: renewables -- additionality, locational purchasing)
- Build a view of the emerging trends in sustainability and how many corporates are tackling the opportunity / challenge

Students interested in sustainable business should consider this course. It will also appeal to students studying financial risk management, insurance, economic externalities and corporate marketing. Those exploring a career in business, compliance, sustainability and government should find this information valuable. Operating managers – particularly those in manufacturing or consumer goods – will also likely see this topic as a part of their future roles in operations.

Students will be exposed to topics such as the definition of sustainability, valuing risk, corporate strategy & marketing, consumer behavior and legal structures & regulation. The course will cover all aspects of corporate sustainability ranging from GHG emissions to energy consumption, water management, waste streams & recycling, transportation, food & health.

This will **not** be a seminar grounded in heavy technical analysis but will require a basic understanding of economics and risk. Given that the field of sustainability is rapidly evolving, the course will rely heavily upon a real world application of learnings for 50% of the course grade in the final project.

Because students are not expected to have deep knowledge of sustainability topics, the reading list is significant. Students are expected to complete readings prior to class. Please refer to the reading list for primary texts that will be used for the class. There will also be supplemental readings, including articles and essays, that will be provided by the instructor.

As part of the class, we will have a series of guest panels and lectures by business professionals from a variety of stakeholders that work in the sustainability field. Particular focus will be placed on the emerging trends in sustainability as the years 2019-2021 are expected to bring substantial change in this field. Speakers will include sustainability reporting experts, finance professionals, operating company leaders and other business executives. Business leaders will be present for the final project presentation in week 10.

Course Grading:

Grading will be based on the following:

- Quiz (10%)
- Mid-term Opinion Paper (30%)
- Final Presentation (50%)
- Class Participation (10%)

Class participation will be graded based on attendance and demonstrated mastery of discussion topics.

Grading Policy:

- 10% will be deducted from late assignments turned in within 24 hours of the deadline. 50% will be deducted from late assignments that are more than 24 hours but less than 7 days late. No credit will be given for work turned in more than 7 days after the deadline without a written exception granted by the instructor.
- All questions and problems regarding grades must be presented in writing within one week after the test, homework, or project has been returned. Grades will be assigned based on all the work you have completed during the quarter following the traditional practice of A=90-100, B=80-89, C=70-79, D=60-69, F<60.

Required Readings

The following texts are required for the class. Other articles and essays will be distributed in class. Students should bring the assigned texts and copies of all articles to class for discussion.

The Sustainable Development Goals Report 2019

Porter, M. E. and M. R. Kramer (2011). "Creating Shared Value" *Harvard Business Review* January/February: 62-77.

Crane, A., G. Palazzo, L. J. Spence, and D. Matten (2014). "Contesting the Value of 'Creating Shared Value'" *California Management Review* 56(2): 130-153.

Economist Intelligence Unit (2018). "Companies are Moving Faster than Many Governments on Carbon Pricing" *The Economist* January 11

Hawken, Paul. *Drawdown: The Most Comprehensive Plan Ever Proposed to Reverse Global Warming* Paperback – April 18, 2017.

Strategy & Society: The Link Between Competitive Advantage & Corporate Social Responsibility; Michael E. Porter and Mark R. Kramer (2006)¹

Business As Usual Will Not Save the Planet. Mark R. Kramer, Rishi Agarwal, Aditi Srinivas (June 12, 2019).²

Stanford Closer Look: The Business Case for ESG Brandon Boze, Margarita Krivitski, David F. Larcker, Brian Tayan, and Eva Zlotnicka. (May 2019)³

Supplemental Reading List

The following are not required, but will be helpful for opinion paper / per.

- The Corporation (2003) <https://www.imdb.com/title/tt0379225/>
- Milton Friedman (1970), "The Social Responsibility Of Business Is To Increase Its Profits", *New York Times Magazine*, September 13.
- Paul Hawken, Amory Lovins and Hunter Lovins (1999) "The Next Industrial Revolution," Chapter 1 in *Natural Capitalism. Creating the Next Industrial Revolution*, Snowmass, CO: Rocky Mountain Institute
- Kenneth Arrow (1973), "Social Responsibility and Economic Efficiency," *Public Policy*, 21, pp. 303-17.
- Jared Diamond (2009), "Will Big Business Save the Earth?" *New York Times*, December 5 2009.

¹ <https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility>

² <https://hbr.org/2019/06/business-as-usual-will-not-save-the-planet>

³ <https://www.gsb.stanford.edu/sites/gsb/files/publication-pdf/cgri-closer-look-77-business-case-esg.pdf>

- Erica Plambeck and Lyn Denend (2007), “Wal-Mart's Sustainability Strategy,” Stanford Graduate School of Business. (6)
- Sir Nicolas Stern (2007), Stern Review: The Economics of Climate Change: Executive Summary (7)
- Kimberley Strassel (2009), “The Number of Skeptics Is Swelling Everywhere”. The Wall Street Journal, June 26.
- Chapters 1 (“A New Era of Catastrophes”) and 15 (“Winning the War against the Weather”) in H. Kunreuther and E. Michel-Kerjan (2009), At War with the Weather. New York: MIT Press.
- Chapter 25 in E. Michel-Kerjan and P. Slovic, (2010), The Irrational Economist, New York: Public Affairs; “International Social Protection in the Face of Climate Change: Developing Insurance for the Poor”, by Joanne Linnerooth-Bayer. (12)
- Erwann Michel-Kerjan and Frederic Morlaye (2008), “Extreme Events, Global Warming, and Insurance-Linked Securities: How to Trigger the ‘Tipping Point.’” The Geneva Papers on Risk and Insurance, vol. 32: 1, Spring 2008.
- https://www.ted.com/talks/michael_porter_why_business_can_be_good_at_solving_social_problems#t-972905
- https://www.ted.com/talks/michael_sandel_why_we_shouldn_t_trust_markets_with_our_civil_life
- <https://www.forbes.com/sites/bobeccles/2017/10/25/total-societal-impact-is-the-key-to-improving-total-shareholder-return/#3ecc53362113>
- <https://www.bcg.com/publications/2017/total-societal-impact-new-lens-strategy.aspx>
- https://hbr.org/2016/10/the-ecosystem-of-shared-value?referral=03758&cm_vc=rr_item_page.top_right

Video Viewings

Throughout the quarter, students will be required to view videos outside of class time. Videos are available online (YouTube, Ted.com etc).

https://www.ted.com/talks/wendy_woods_the_business_benefits_of_doing_good

https://www.ted.com/talks/michael_pawlyn_using_nature_s_genius_in_architecture?referrer=playlist-sustainability_by_design

This section is TBC

Class Schedule - DRAFT

Weekly Topic	Description	Required Reading & Possible Speakers
<p>1: <i>SDGs, ESG and Sustainability Basics</i></p>	<ul style="list-style-type: none"> • What is ESG? How is different from Sustainability? • What are the SDGs? • How are SDGs influencing business & society? • Why does sustainability matter? 	<p><i>The Sustainable Development Goals Report 2019</i></p>
<p>2: <i>The Corporate World & Integrating Sustainability into Business</i></p>	<ul style="list-style-type: none"> • The rise of corporations & their impact on the US economy • Basics of corporate governance and incentives (quarterly earnings, BOD) • Sustainability Stakeholders • Systems Thinking for Sustainability • Integrated Sustainability Strategy & Planning 	<p>Documentary: <i>The Corporation</i> (2003)?</p>
<p>3: <i>Sustainability Drivers of Risk & Opportunity</i></p>	<ul style="list-style-type: none"> • Risk – How do corporations look at risk? How is it measured? How is it managed? • Opportunity – How can integrated sustainability influence strategy? What are the examples of new market opportunities that exist from a sustainable approach? • Value Creation – How do companies quantify the value of sustainability in their business strategy? 	
<p>4: <i>Sustainability Standards & Reporting</i></p>	<ul style="list-style-type: none"> • Overview of current standards for sustainability reporting: TCFD, CDP, GRI etc • Government reporting requirements (highlight international) • Corporate CSR / ESG / etc • Supply chain requirements (e.g. McDonalds, Walmart, Starbucks) 	<p>TSC Speaker or HAVI Global</p>
<p>5: <i>Corporate Leadership in Sustainability</i></p>	<ul style="list-style-type: none"> • Examples of companies that have taken a leadership role in sustainability <ul style="list-style-type: none"> ○ Case #1 (Product) – Method? Loop? Mondelez? ○ Case #2 (Other) – TBC, Athleta? • Sustainable Investing • Quiz #1 (in-class) – SDGs, Sustainability Reporting Standards 	

<p>6: <i>Opinion Paper Speed Dating</i></p>	<ul style="list-style-type: none"> • Opinion Pitch - Students should be prepared to provide a 5 min summary of their paper with 5 min of Q&A; they must also actively participate in the discussion of classmate papers (20 students, • Midterm Paper #1 due – Assess either a sustainability risk or opportunity for a corporation of your choosing 	<p>Class Participation Grade is key here.</p>
<p>7: <i>Legal Trends in Sustainability</i></p>	<ul style="list-style-type: none"> • <u>Laws</u>: • <u>Court Cases</u>: Environmental Justice & the VW Settlement • <u>Legal Structures</u>: The B-Corp 	<p>Guest Speaker from Pritzker? (D. Dana)</p> <p>Surowiecki, J. (2014). “Companies with Benefits.” The New Yorker August.</p> <p>Kim, S., M. J. Karlesky, C. G. Myers, and T. Schifeling (2016). “Why Companies are Becoming B Corporations.” Harvard Business Review June 17.</p>
<p>8: <i>Sustainable Marketing & Brand</i></p>	<ul style="list-style-type: none"> • Concepts in Sustainable Marketing • Sustainability as a Brand Differentiator • Greenwashing 	<p>Kellogg Speaker / External Guest Lecturer</p>
<p>9: <i>Bringing Sustainability to Life</i></p>	<ul style="list-style-type: none"> • <u>Operations</u> – procurement, training, waste management, efficiency & continuous improvement • <u>Investing</u> – Activist investors – CALPERS, Larry Fink / Blackrock • Student Persuasive Pitch Preview (x6) – 12 min each to pitch and have Q&A; classmates / advisors to provide feedback and advice (non evaluative) 	<p>60 min lecture</p> <p>90 min pitch preview (x12 min each)</p>
<p>10: <i>Persuasive Pitch Final Presentation</i></p>	<ul style="list-style-type: none"> • Student Persuasive Pitch (x6) – 25 min each to pitch and have Q&A; 2 companies with 2-3 groups pitching ideas • Final Project Presentation – Create a persuasive proposal for how a company should incorporate sustainability into its practices; grade is based on written material and presentation 	<p>Full class of presentations to company officers (~25 min each)</p>

About the Instructor

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