

Sustainable Management at the Marshall
Goldsmith School of Management:

Preparing Tomorrow's Workforce

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The Marshall Goldsmith School of Management

- MGSM was founded in 2007 with the arrival of Dean James A. Goodrich, PhD
 - Alliant International University was created by the merger of USIU and CSPP in 2001
- Marshall Goldsmith is a leading executive coach and best selling author on leadership and management

The Organization

- MGSM includes three divisions
 - Business and Management
 - Organizational Psychology and Industrial Organization
 - International Studies
- Degrees include MBA, Masters of International Business Administration, Doctor of Business Administration and PhD

Dr. James Goodrich



- Dr. Goodrich has been a business school leader for many years in California (Pepperdine) and Oregon (Willamette),
- He is also a respected executive coach and consultant

MGSM Goals

Focused on professional practice

- Transnational
- Multidisciplinary
- Environment driven
- Change oriented
- Experiential
- Engaged

The Concentration in Sustainable Management

Typically includes four courses:

- Sustainable management
- Sustainable marketing
- Environmental management reporting
- Leadership for the triple bottom line

My experience

- Sustainable management research and development for almost 40 years, 11 books, 300 papers
 - Renewable energy R&D (American Solar Energy Association Award, 2004)
 - Agriculture (first book on sustainable agriculture in California, 1991)
 - Water management, irrigation
 - U.S., China, Jordan, Mexico, Portugal, U.A.E.
- Teaching for 20+ years (President's Award for Service and excellence in teaching award from students)
- Sustainable management, true cost accounting and environmental management accounting for companies and NGOs

A definition: sustainable

**To meet the needs of the present
without compromising the ability of
future generations to meet their
needs**

Only One Earth, 1987

Market Recognition of the Value of Sustainability

- Dow Jones Sustainability Index
- FTSE4Good
- Emerging Corporate Social Responsibility (CSR), Cleantech and Sustainability screens
- EcoManagement and Audit Scheme, Europe

Sustainable Management

The new metric - is becoming

- Economic health
- Human well-being
- Ecological health

***These are the new triple bottom line
goals for business***

Completing the Market

- We wouldn't call it "sustainable management" if we paid true costs--it would just be management
- But the market is incomplete and flawed and as A.C. Pigou noted in 1923, ***the market will fail unless it includes all costs***
- Today the market includes a fraction of the true costs, often half, a quarter or less
- Sustainable management works to improve accounting and market performance

Externalities

True costs include: internal and external costs

- Internal costs - are the currently counted costs (of production, transport, sales, profit)
- **External costs** - are the uncounted costs, pollution, disease, loss of biodiversity, health impacts, depletion etc.
- These are local, regional and global
- Many extend far into the future

AlcCo (UK)

If we do true cost accounting we learn:

	Million Pounds
• Ecological costs	(6.2)
• Social costs	(52.0)
• Current profits	+7.4
• Net	(50.8)

Perhaps not such a good investment after all.

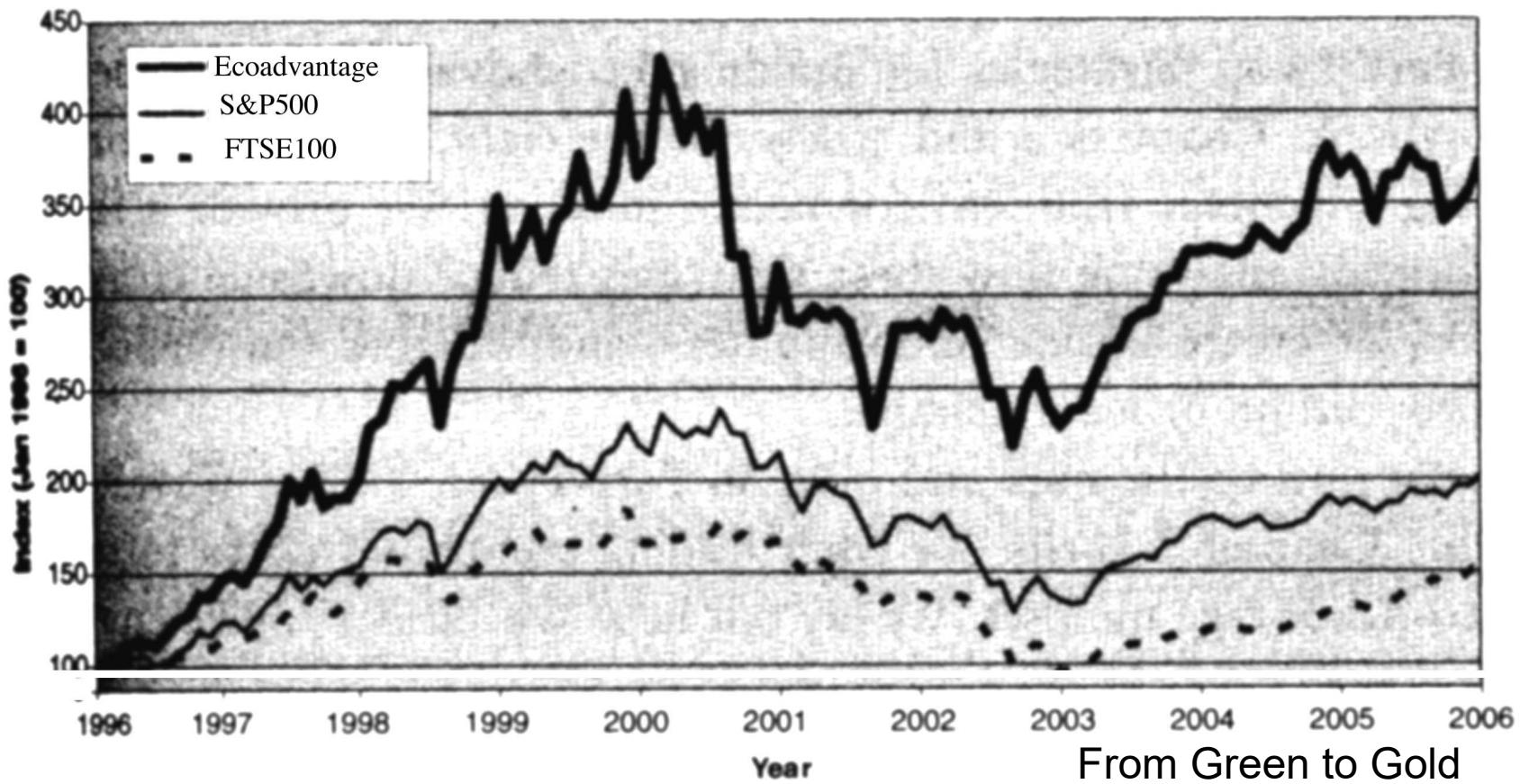
Tobacco and alcohol producers appear to be very profitable today -- but only by ignoring true costs

3BL Advantages

- The stakeholder perspective in sustainable management provides a range of benefits
 - Reduced costs
 - Improved efficiency and value
 - Improved relations with regulators and communities
 - Better relations with banks and investors
 - Increase or maintain profits
 - Better reputation and lower risks of lawsuits
 - Improved employee relations and retention

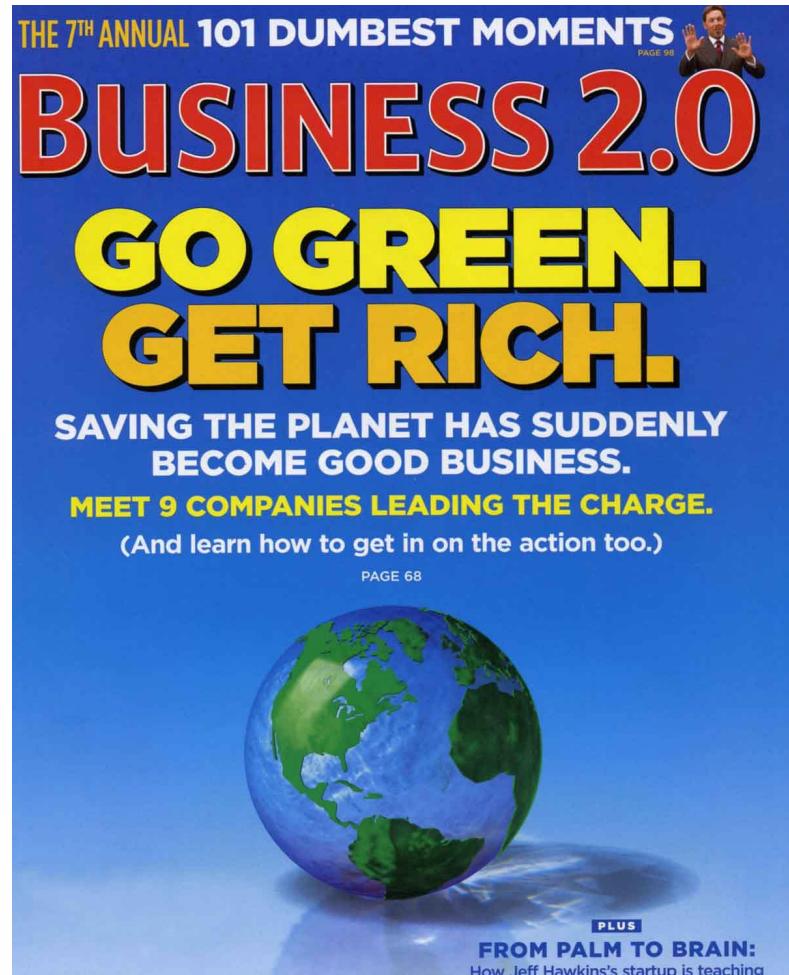
It pays to be sustainable

Performance



The New Green

- Magazines, papers, TV and web sites tout the new green opportunities
- But few understand the real issues of sustainability



Sustainable Marketing

- Consumer decisions are also affected by false prices
- Sustainable marketing adds additional information for consumers to make better decisions
- Labeling, certification and transparency help consumers compare products and services

Marketing Opportunities

- Sustainable marketing research also helps understand behavior and identify new consumer issues and needs
- This can help companies reformulate old products
- Or create new products and services to meet emerging demands
- GE's Ecoimagination program (2 billion dollars) was created because the CEO realizes that ***You don't want to be on the wrong side of Society***

Integrated Product Design

- IPD looks at sustainability issues of new product development across the life cycle
- Husqvarna (started 1689) uses IPD for all new products and reviews opportunities to improve existing products
- It starts with strategic IPD and specifics of manufacturing and use with a range of checklists and review committees

Marketing Challenges

- The emerging demand for greener products and services has outrun skills, knowledge and understanding
- Probably 90% of newly “green” products are not sustainable, and many are pale, pale green
- Greenwashing, calling a non-sustainable product green is endemic and threatens to weaken sales and trust in good products

More ink



- But not much more useful information for consumers
- Ignorance is rampant
- Lifecycle considerations are neglected

Environmental Management Reporting

- EMR is the publication of information about the impacts of operations, businesses, products, and services
- One of the key goals is increasing transparency about the sustainability of organizations operations, goods, services and programs
- EMR allows for benchmarking against the best in the world and enables progress to be made more quickly

EMR reporting format

- There are many approaches in use, but the emerging standard is the Global Reporting Initiative
- GRI can be found at
www.globalreporting.org
- Many Corporate Annual Reports now include a sustainability section
- Some have a separate lengthy report, but no more than 25-30 pages is best

Sustainability Reporting Is Increasing Fast

1991 - 7 companies

2001 - 531 companies

Today? More than 10,000

But not many in the U.S. yet

As Sarbanes-Oxley has demonstrated --
reporting does not necessarily mean
believing or changing behavior

The challenge

- **Focus resources on issues that matter**
- Not reporting to be reporting, but reporting to make a difference
- Reports from different sectors and even different companies will vary
- Reporting from country to country or region to region may also differ widely
- ***The goal is always to add value!***

Triple Bottom Line Leadership



Profit
People
Planet

Keys to sustainable management

Protect future generations

Make the market complete (true cost)

Make the market as free as possible

Make prices clear and transparent

Reward beneficial actions

Remove perverse incentives for waste

Take away subsidies

More

Be conservative in assessing risk -- the precautionary principle

Ensure the consumer pays true costs

Make the polluter pay

Don't make the victim or taxpayer pay

Make harmful actions costly and illegal

Criminalize the worst environmental crimes

Live within your means

Big Drivers

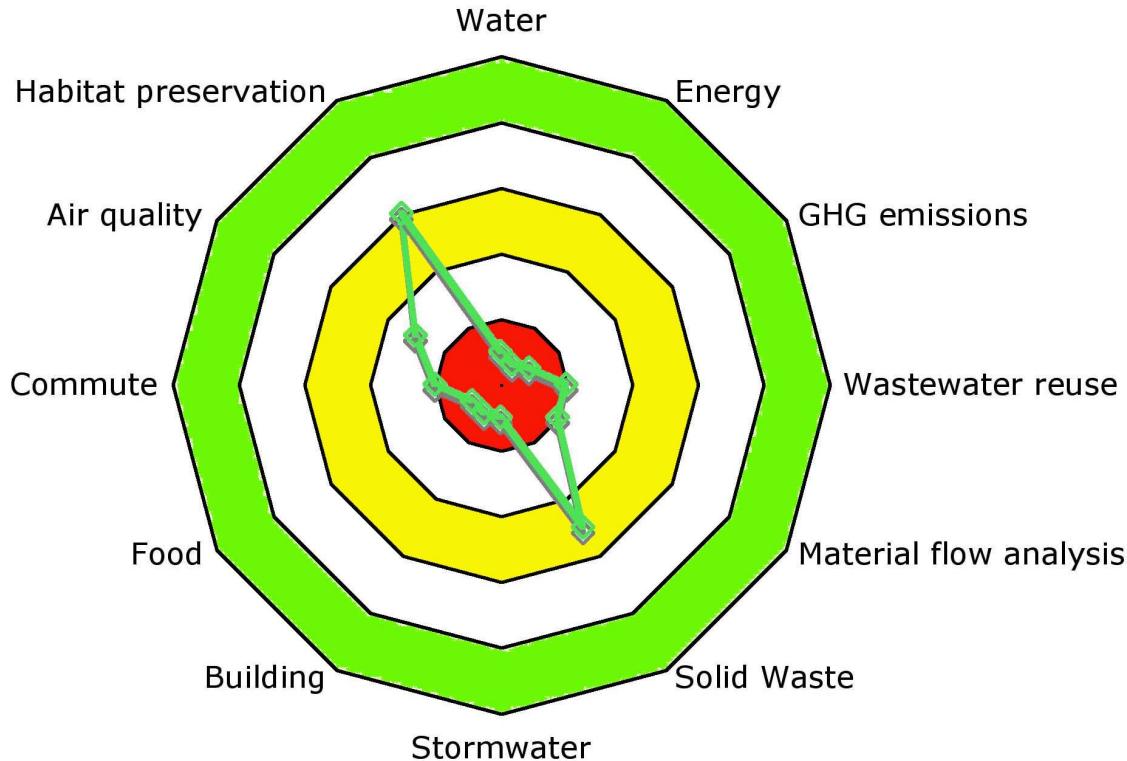
- Energy
- Oil
- Water
- Minerals
- Food
- **Biodiversity loss**
- **Waste management**
- **Resource destruction** - tropical forest, fisheries, etc.
- Climate change
- Ozone depletion
- Land degradation
- Air Pollution
- Water pollution
- Health impacts

San Diego's Special Challenges

- Environment
 - Water
 - Energy
 - Stormwater
 - Wild fire
 - Climate change
- Social
 - Living wage
 - Education
 - Housing
 - Infrastructure
- Economic
 - Employment quality
 - City debt
 - Global competition

Environmental sustainability

San Diego Sustainability Diagram



In this radar plot the center is completely unsustainable, the outer ring is 100% sustainable. It is clear we have a long, long way to go.

From Bainbridge and Ramirez Almoril 2007

Workforce Needs

- Sustainability training across disciplines
 - Particularly accounting, management, marketing, environmental science and engineering
- Organizational training – management to work floor, continuing education
- Educational changes to include critical sustainability issues in K-12, undergraduate and graduate
- Hands-on, experiential learning

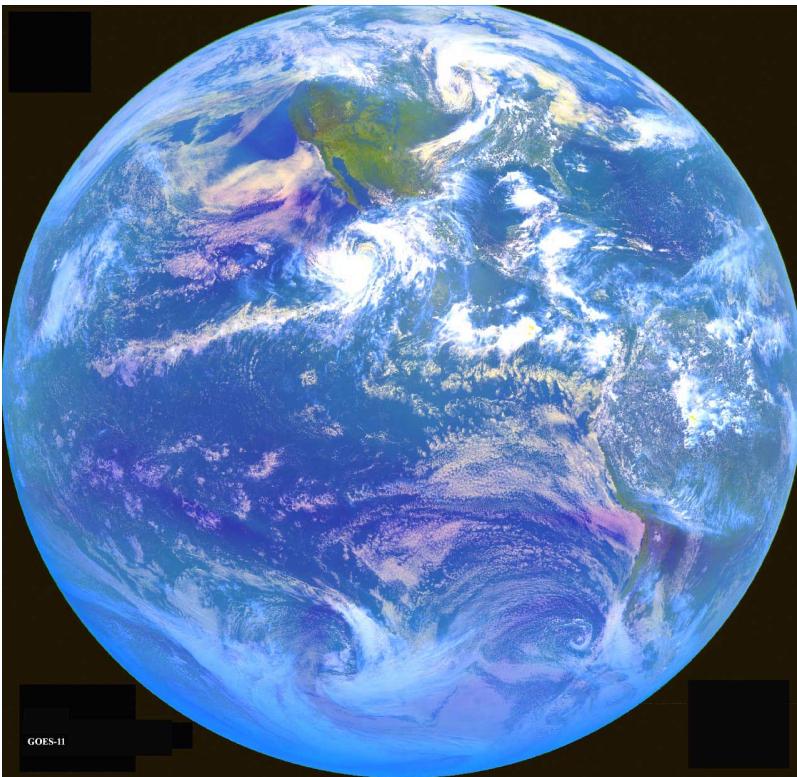
At MGSM

- We are committed to creating skilled graduates with knowledge and skills to effect change
- The ability to work effectively in complex multicultural environments
- The desire to make the future more secure

MGSM Outreach

- We are also committed to working with companies and organizations to upgrade skills and improve understanding
- We are also a resource for capable international students, with extensive travel experience and a wide range of language competencies

The challenge ahead



- We are all in this together
- We have no place else to go
- We need to manage things much more wisely

Recommended reading:

- Green to Gold
- Organizational Change for Corporate Sustainability
- Sustainable Accounting and Reporting
- Greener Manufacturing and Operations
- Sustainable Innovation
- Industrial Ecology