Course Syllabus

KPPI-947-5 “Decision-Making for Sustainable Business”

Spring 2019

1st Five Week Session

Wednesdays, 6.30pm – 9.30pm

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Course Overview

The role of business in society is changing with increasing expectations that it will deliver value not just to its shareholders, but also to multiple other stakeholders, whilst taking care of and respecting the environment. But corporate management and reporting systems have failed to keep pace with these changing expectations, to the point where Boards no longer have the tools and frameworks to make decisions taking these competing demands into account. This course will explore the challenges the Board Room faces in meeting these expectations and the emerging tools and frameworks available to enable them to manage and report their progress in the 21st century.

Malcolm Preston, a former partner at PwC who was their Global Sustainability Leader, will draw on his experiences of working with government, business, the third sector and United Nations agencies in developing strategies for delivering value to all. He will introduce practical tools and frameworks being used by business to understand their role in society, how they measure and report their impact, how they align their strategy with government policy (through the Sustainable Development Goals), and how to make the business case for new and transformational change.

Course Format

This five week (half semester) course will focus on current tools/frameworks/techniques for helping companies analyse, measure and incorporate wider metrics than pure financial performance into their decision making and communications. Sessions will include a mixture of lectures, case study analysis, simulation and discussion.

Students will supplement the class work with background research/reading; submission of one short paper (no more than 750 words) on a topic relevant to the course; and a group project (see below).

Depending on time and availability, it is intended to include one or two relevant guest lectures.
Course Reading

This course has been developed on the premise that students will be able to take nascent ideas and concepts and through practice, discussion and debate be able to develop solutions to the challenges businesses face. Students will therefore commence each session with minimal preparatory reading. Following each class, a list of suggested reading (but not exhaustive) will be provided to support/reinforce the key messages of the class.

Course Project

Student groups will undertake an exercise to develop a strategy/project to create a more sustainable business model for an international organization, across its entire value chain, utilising the frameworks and techniques introduced in the course. Each group will be able to choose from different market sectors to highlight the differences and similarities of the issues they each face (e.g. soft drinks manufacturer, mining company, hotel operator, financial services firm, pharma company, etc.). The output of the project will be a short paper and presentation to the course professor.

Evaluation

Embedding sustainability thinking into corporate decision making is an emerging field. Students need to demonstrate their ability to adapt the existing available frameworks and techniques to the specific situation they are considering. Students will develop an ability to understand the context of their decisions, develop reasoned arguments and judgement, and will be challenged to demonstrate and defend the basis upon which they have come to their conclusions. The course evaluation across the three areas below will be based on these criteria.

Completion of first quiz 5%
Class Participation 30%
Thought Paper 15%
Course Project 50%

This course adheres to the guidelines established in the Kellogg Honor Code [link] and the Kellogg Code of Classroom Etiquette [link].
Course Outline

Class One - Role of Business in Society

In this opening session we will set the scene, introducing a framework on how to understand the role of business in society. It will provide the context for the rest of the course and will include discussion around:

- A framework to understand The Role of Business in Society;
- Emerging government frameworks beyond GDP, such as Wealth Accounting and Valuation of Ecosystem Services; Social Progress Index; Human Development Index;
- The concept that not only does business have impacts on society and the environment but is also dependent on them;
- Mutuality of interest – looking at the original purpose of companies such as Mars and Panasonic, and exploring whether the dominant shareholder paradigm holds true in the 21st Century;
- The changing expectations of investors and the general public and the role of social media; and
- Shareholder vs Stakeholder; long term vs short term; Doughnut Economics; Porter’s Creating Shared Value.

Class Two – Sustainable Development Goals (SDGs)

The SDGs were ratified in September 2015 by 193 member countries of the UN. As a follow on from the Millennium Development Goals and to be achieved by 2030, the 17 goals represent a blueprint for a sustainable future for all. It is universally agreed that business will be essential and integral to the achievement of the Goals. In this class we will explore:

- The 17 goals, 169 targets, 241 indicators, including their interconnectivity and relevance to business;
- Government progress on achievement of the goals, including a review of the available UN data in their “meta-table” database, the country rankings by the Sustainable Development Solutions Network, and the voluntary disclosure made by some 119 countries (so far) to the UN;
- The extent to which business has engaged with the SDGs, the business imperative for doing so, the barriers/challenges and available tools to support engagement;
- Worked examples of using the SDGs to inform corporate strategy;
- Best practice examples of current SDG corporate reporting.
Class Three – SDGs (continued) and Impact and Externalities

Following on from Class Two, we will complete our review of the SDGs, looking at:

- The government response to the SDGs, including Voluntary National Reviews;
- A framework for integrating SDGs into Corporate decision making;
- Current trends in SDG reporting.

Following on from Class One, in this session we will explore:

- The concept of Impact Measurement and a framework to measure impact (Total Impact Measurement and Management [TIMM]);
- A worked example to demonstrate the challenges of impact measurement;
- How to make holistic decisions using impact measurement techniques and the benefits and barriers of so-doing;
- How companies are approaching impact measurement including case studies.

Class Four – Impact (continued) and Reporting

Following on from Class Three, we will continue to look at Impact Measurement:

- The difference between outcomes and outputs;
- How to develop Impact Pathways;
- Understanding externalities, how they can be valued, and how the risk of them internalising as real costs to the business can be assessed; and

We will end the class with a brief comparison of Financial Reporting with the growing requirement for broader sustainability reporting:

- The underlying purpose of reporting – accountability and comparability, and the challenges of achieving this objective in the absence of any agreed upon framework;
- A brief review of the emerging frameworks, including the Global Reporting Initiative, Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council, the Carbon Disclosure Project, the UN Global Compact; World Business Council for Sustainable Development (WBCSD), etc.; and
- Understand the “dog bone” maturity chart, which plots businesses engagement and progress on the Sustainability agenda.
Class Five – the Business Response

In this final class, we will bring it all together to assess how business is responding to the new operating paradigm in which they find themselves, including:

- A guest lecture from a leader in the sustainability field (more information will be provided before the session);
- Emerging measurement methods including the Natural Capital Protocol (NCP), Social Capital Protocol (SCP), Social Return on Investment (SROI);
- The regulatory landscape, including national government and stock exchange requirements;
- Look at different rankings and indices that are used to assess business performance, including the Dow Jones Sustainability Index (DJSI), FTSE4Good, the MSCI Sustainability Index, the GAIN nutrition index, the Human Rights benchmark, the Access to Medicine Index, the Carbon Disclosure Report, and others.

We will conclude with a summary of the frameworks that have been discussed in previous sessions and receive brief report backs on the group assignment.