

**FEATURE SPRING 2009**

# **B-Schools At The United Nations**

**UNLIKELY PARTNERS FOR GLOBAL CHANGE**



BY JANE PORTER

It was 10 degrees below zero. For two weeks in January, the heat across Bosnia was shut off—fingers and faces going numb from the frost—as buildings across the country transformed into veritable iceboxes. Russia was in a payment dispute with the Ukraine through which it delivers 80 percent of Europe’s natural gas. When the fight reached a head and Russia shut off its gas supply in early January, the poorest of the Balkan countries were hit hardest. Still ravaged by a civil war of 14 years ago, Bosnia has no gas reserves and relies entirely on Russia for its natural gas supply. In Sarajevo, where buildings are riddled with shrapnel marks, bullet holes, and “Sarajevo roses”—red cement-filled holes commemorating where civilians were killed in the war—a group of Notre Dame MBA students was studying the challenges of post-conflict economic recovery through the most visceral of case studies—first-hand experience. The students were in Bosnia-Herzegovina for an MBA course called *Business on the Frontlines*, offered for the first time last fall at the Mendoza College of Business. Taught by Professor Viva Bartkus, the course examines the role of businesses in war-torn societies, focusing specifically last semester on Bosnia and Lebanon, where two groups of six students visited to see how businesses are rebuilding after the ravages of war. In partnership with Catholic Relief Services, students had access to government, business, NGO and embassy officials who were able to give them a better sense of how business is dealing with post civil-war reconstruction. “How do you bring home to students that they have a role in their lifetimes to assist in these types of challenges, both as individuals and in the companies they are going to?” says Bartkus.

**Holding B-Schools Accountable** This question is precisely what the United Nations and business schools around the world are looking to answer in a new alliance called Principles for Responsible Management Education (PRME). Bartkus’ course is an example of how business schools are adapting their curricula to better train students on how to tackle issues of human rights, sustainability, corruption and the environment when they enter the business world. Launched in 2007, PRME is an umbrella initiative administered through the United Nations and includes 225 business schools from around the world. Its main purpose is to hold management education accountable for teaching students to be responsible leaders who think critically about their role in globalization. Schools participate on a voluntary basis and must agree to adhere to a set of six principles. “The most important thing that we have to accomplish is to make the values of sustainability and corporate citizenship a transversal aspect of teaching from economics to finance to marketing,” says Manuel Escudero, head of the PRME Secretariat.

In December, 260 deans, administrators and faculty from business schools across 43 countries came together for the first time at the United Nations headquarters in New York City for the Global Forum for Responsible Management Education where they reviewed the progress of the initiative and made plans for its future. Executives from companies around the world

including Fuji Xerox in Tokyo, Telefónica in Spain, and Talal Abu-Ghazaleh & Co. in Jordan spoke about what they are doing to increase their social impact, decrease their carbon footprint and fight corruption. Deans discussed how to get started with PRME, the importance of developing faculty research on corporate social responsibility, and putting in place new learning methodologies. Mendoza Dean Carolyn Woo, who is the chair of the *Peace through Commerce* initiative that helped draft the principles behind PRME, conducted a workshop on curriculum change and how to bring PRME into business schools. The Rev. Oliver Williams, C.S.C., director of the Notre Dame Center for Ethics and Religious Values in Business and a board member of the Global Compact Foundation, led another workshop on developing partnerships to address global issues. “There’s a new understanding of the purpose of business,” says Williams. “Is it just to make a profit? Or is it to make a profit plus extras?”

**Momentum From U.N. Global Compact** The business school initiative is an offshoot of the United Nations Global Compact, which holds businesses accountable for their impact on the broader social good, local communities and the environment. The Compact was launched in 2000 when then-Secretary-General Kofi Annan acknowledged that marketplace globalization was leading to vast disparities in wealth. Human rights abuses, discrimination, and child labor were rampant in workplaces around the world; environmental issues like carbon emission and access to clean water were often controlled by corporations operating in particular regions; and corruption issues like extortion and bribery were finding their way into business practice.

At the time, businesses were in no way systemically held responsible for the extent to which they were contributing to or alleviating these problems. Annan decided businesses needed to be more accountable for their impact on local communities and the environment in their global expansion efforts. The Compact—which lays out 10 principles on human rights, labor, the environment and corruption—was created. “When you act globally and are exposed to many cultures and countries, you need to learn to provide stewardship in all contexts,” says Georg Kell, executive director of the Global Compact Office. “The bottom line is non-financial issues are increasingly becoming central to business.”

Companies that choose to join the Compact need to show how they are incorporating these principles into their business practices. When Williams organized the first Global Compact conference at Notre Dame in 2000, the initiative had 40 signatories. Today, this number has grown to 5,200 corporations from 130 countries. “We are finding a way to help companies network on how they can be more sustainable,” says Williams of the Compact. He has since organized two conferences in South Africa and two more at Notre Dame to introduce the Compact to companies. From the last conference in 2006 emerged Williams’ book, *Peace through Commerce*, which examines issues such as how big corporations like Ford Motor Co. and General Electric are using corporate citizenship programs to address global issues including health care. “Why is GE trying to make rural hospital clinics in Africa better?” says Williams. “What they are saying is, ‘We have so much power and there is so much dire need. Let’s try and do something to influence these global challenges.’” There’s

no question that multinational companies have a massive impact on local economies in an unprecedented way. Three hundred multinational corporations account for a quarter of the world's assets, and as much as 40 percent of world trade now takes place within such global corporations. This means the footprint of big business on local communities is increasingly apparent. As companies expand to new regions, they create job opportunities for locals and allow cities to develop economically. With massive corporations controlling much of the world's natural resources, this means companies are also largely responsible for determining the cost and use of critical commodities such as oil and corn. The United Nations' efforts to hold businesses accountable on these fronts become more timely as companies expand their global reach.



**Promoting Peace Through Commerce** But why would the United Nations venture away from its traditional political realm and partner with business schools? In his closing remarks at the U.N. Global Compact Leaders Summit in Geneva in 2007, Secretary-General Ban Ki-moon stressed that the newly launched initiative would “take the case for universal values and business into classrooms on every continent,” not just making businesses more accountable, but making sure that those people running businesses in the future understand what’s at stake. During the Global Forum last December, Ki-moon told the assembly room of deans, administrators and faculty that the partnership was an important step in making sure that management science was thinking critically about the problems around the world, and how businesses were both exacerbating and ameliorating these issues. “As teachers you can ensure tomorrow’s leaders understand long-term growth is tied to its social and economic impact,” Ki-moon told the group. Still in its early stages of implementation at business schools, PRME’s goal is to drive these concepts home to students. At Notre Dame, Williams is teaching a class on the Global Compact and its link to the future of the economy. At Antioch University in New Hampshire, a new MBA degree in Environmental and Organizational Sustainability focuses on issues of corporate responsibility and sustainability. At Frankfurt School of Finance & Management in Germany, new courses and a new faculty chair in Development Finance examine the role of finance in developing countries. But business schools still have a long way to go in terms of getting these priorities integrated into their curricula, say PRME proponents. John Fernandes, president of the Association to Advance Collegiate Schools of

Business, the largest business school accreditor, says including such principles in curricula across business schools will take many years. “The for-profit-motivated emphasis of traditional business school curricula must be balanced with a strong emphasis on societal sustainability,” says Fernandes. The mechanistic language of business, inherently competitive nature, and almost singular emphasis on profit growth that business schools have focused on over the years needs reconfiguring to include PRME’s goals, Mendoza’s Dean Woo told the Secretary-General when speaking on behalf of North American Business Schools at the PRME Summit. “To do this well, it cannot just come from the dean’s office,” says Woo. “It has to penetrate faculty teaching, and that is the challenge.”

**NEXT STEPS: A Case For Urgency** Another of the forefront challenges to both the business world and management education is conveying the urgency of such issues to business leaders who see corporate social responsibility as an add-on, particularly in times of economic crisis when companies are struggling to stay afloat. But as businesses increasingly enter new developing markets, they have a greater impact on local communities, argue Compact supporters, making business practices in times of financial instability even more relevant. With the financial crisis comes the opportunity for companies to reevaluate their processes and develop new ways of dealing with issues like climate change and corruption. “For us, the crisis is also an opportunity,” says Kell, of the Global Compact Office. “In times of economic downturn, it is far easier to make more fundamental changes than in times of prosperity and growth.”

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With 1.1 billion people in need of clean water and temperatures rising, the Global Compact will be focusing primarily on climate change issues this year. In December 2009, the U.N. will host a Climate Change Conference in Copenhagen, where business school curricula will also be addressed. Putting in place new accountability measures for businesses will also be a critical goal for the Compact this year, as businesses entangled in the global financial crisis grapple with major cutbacks and in some cases, lowered best-practice standards. For business schools, this means looking at how curriculum and faculty research can change. While PRME is an umbrella organization, it encourages business schools to take the helm in developing PRME-related events. Since the conference last December, several more schools have joined PRME—the largest increase coming from the United States. More than 30 PRME-related events have been scheduled around the world, from a meeting on how to include anti-corruption issues into curriculum change in the United Kingdom, to an event in Korea reaching out to Asian business schools, to an

international conference on poverty and challenges to management education taking place in Rio, to a meeting during the Copenhagen conference on how climate issues fit into curriculum change. “We have to give shape to the enormous energy that went out after the global forum,” says PRME’s Escudero. By the end of 2009, PRME is aiming to double its membership to 400 schools and hold many such events around the world. “It’s not a new concept; it’s a new level of attention within educational circles,” says Dean Woo of the focus on responsible management education. “If we talk about the big challenges in the world... if people understand these problems, they will develop a sense of care.”

## **Students Seek Solutions For War-Ravaged**

**Countries** In January, Mendoza students not only discussed such challenges; they lived them. Keith Flatley, a second-year MBA, was huddled in a freezing flat with his classmates at the edge of the old city in Sarajevo. The group of six that met with business leaders during their 10-day visit was surprised by the sudden unexpected shutoff of heat, but the experience revealed the challenges faced daily in the war-ravaged land. “We didn’t have windows for three years,” Bosnians told Flatley when he questioned why there was no widespread protest to the gas shutdown. “Having no heat is no big deal.” More challenging than the need to develop self-sufficiency and rebuild war-damaged areas, observes Flatley, is the need to break a cycle of deep-seated corruption rampant across the country, a factor that makes doing legitimate business very difficult. “To be a legitimate operation is so much harder than being an illegitimate one,” says Flatley. Students met with Hazim Muratovic from Gromeks, Inc., a company rebuilding community housing in Srebrenica, the site of the bloodiest massacre in the Bosnian War, where in three days in July 1995, 8,000 men and boys were murdered. The largest genocide since the Holocaust, the Srebrenica Massacre has left the region in a dilapidated state that, more than a decade later, has seen little progress. What does doing business in such a post-conflict area mean for companies? The Global Compact stresses anti-corruption and so its members must be wary of illegitimate business deals seen as common practice in countries such as Bosnia. Understanding the need to choose time-consuming negotiation efforts over simple, under-the-table bribery is just one of the many issues companies looking to enter new foreign markets increasingly must come to grips with these days. At the same time that Flatley and fellow students were freezing in Bosnia, another group of students in Bartkus’ class was taking in the revival efforts across the Mediterranean in Lebanon, still recovering from the damages of a 15-year civil war. Even against the backdrop of continuing conflicts with Israel, rebuilding efforts in Lebanon since the civil war ended in 1990 have made more progress than they have in Bosnia. Andrew Hill, a second-year MBA student, met with Solidere, the company responsible for rebuilding the capital of Beirut after the war. He learned that while the city center has been significantly revitalized as a result of the rebuilding, businesses still face the challenges of extreme poverty and sectarian violence in areas outside the capital. In Bab El Tebbane in the port

city of Tripoli north of Beirut, conflicts between local sects are still alive. A small NGO funded by the Office of Transition Initiatives, a subsidiary of the U.S. Agency for International Development, gives young men vocational training to pull them out of such militia violence. The small NGO and Solidere represent the vast cross-section of businesses and organizations responding to the direct concerns raised by the Global Compact. Through classes like Bartkus', business schools are putting to practice those priorities PRME is enforcing in theory. "There's a bigger picture that [businesses] provide stability to an economy. That's a lasting investment that a city remembers," says Andrew Hill, who met with these companies during his 10 days in Lebanon. "There are values to a company outside immediate monetary remuneration."



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