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One of the more intriguing, and for me very welcome, developments of recent times is the way in which an increasing number of prominent business leaders are willing to take a stance on a broad range of issues. I applaud this development. It sparks debates on the role and purpose of business. It also raises questions – sometimes fiercely contested – about the topics on which business leaders can legitimately express opinions.

Consider two examples. An alumnus of the Business School, Keith Tuffley, is the Managing Partner & CEO of the B Team, a coalition of globally renowned leaders in the public, private and social sectors. The B Team champions the end of business as usual (Plan A) and demands instead a ‘Plan B for Business’.

The B Team has declared that “the world is at a critical crossroads”. It argues that “the private sector can and must redefine both its responsibilities and its own terms of success; a Plan B for concerted, positive action that will ensure business becomes a driving force for social, environmental and economic benefit.” Plan B extends the primary concern of business beyond profit to people and planet, and has the ultimate aim of achieving a sustainable market economy.

Alan shares with Keith Tuffley and the leaders who make up the B Team a willingness to raise profound questions about the roles and responsibilities of business.

To take a stance is to declare what you think is morally right, even when this view is not popular. Our University and the Business School has taken a stance by encouraging our students to develop cultural competency. For this, we have been criticised.

Business no longer as usual

It takes courage to take a stance.

In work last year with Australia’s Race Discrimination Commissioner, Tim Soutphommasane, we noted that about 32 percent of the Australian population has a non-Anglo-Celtic background. However, this cultural diversity is not proportionately represented within the senior leadership of our organisations; in fact it is seriously, woefully, under-represented.

But for making this point – according to some television and newspaper reports – we were guilty of reverse racism. Our aim apparently was to make anyone who was Anglo-Celtic or European feel ashamed.

In fact, what we were doing was pointing to the virtues – moral and economic – of diversity. We were also highlighting the importance of inclusive leadership and the ability to see things through the eyes of others – a skill at the heart of cultural competency.

Of course, if you take a stance, you invite criticism and you provoke debate. That is a good thing. If, in the process, our students surface and confront their own assumptions and begin to think deeply about the true roles and responsibilities of business and business leaders, then this is something I welcome.

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SAFETY FIRST, THEY SAY. AS AUTONOMOUS VEHICLES RAPIDLY APPROACH REALITY, PROFESSOR STEPHEN GREAVES CONSIDERS A DRIVERLESS FUTURE.

In 2017, 1225 people needlessly lost their lives on Australia’s roads, with the holiday period in particular tarnished by several high-profile, tragic car crashes.

While formal investigations uncover the causes and propose solutions, about 90 percent of these accidents involved human error in some form. Whether these errors resulted from having a bit too much to drink, disobeying the speed limit or other road rules or being distracted by the kids in the back of the car, is neither here nor there: surely this is too high a price to pay for simply being human.

Fast forward more than 20 years to a future in which human driving on public roads is a distant memory. Fleets of interconnected, emissions-free, driverless vehicles summoned by an app, provide a service that safely chauffeurs workers to the office, kids to school, and families to the beach, leaving occupants free to catch up on work, their favourite movie or sleep.

The Australian road toll is a fraction of what it was in the 2010s, with the occasional headline-grabbing accident due to a system glitch, an act of nature and the ever-present threat of sabotage. Driving pleasure can now only be sated on private tracks or American-style ‘driving ranches’ that have sprung up as profitable businesses in Australia’s vast, open spaces.

Much has been debated about the driverless future and how we should prepare: When is it coming and in what form? Will we embrace it for ourselves and our loved ones? Will vehicle ownership and use change? Will congestion get better or worse? Will it free up space in our cities? What are the implications for public transport, cycling and walking? While these issues will ignite different views, it’s important they don’t distract from the primary argument for driverless vehicles: safety.

On-road trials in mixed traffic in the United States suggest about a ninefold reduction in collisions where the driverless vehicle was at fault, with the majority of collisions caused by human-operated vehicles. Australia is yet to embrace on-road trials, but most states are conducting controlled trials and, to date, have no major safety violations to report.

Sceptics are eager to point out the potential for machine failures and hacking, but the fact is autonomous vehicles do not use drugs or drink and drive, do not get tired, do not get distracted by children, and do not speed or break road rules.

So what’s the hold up?

First, the safety benefits of driverless vehicles are unlikely to be realised in mixed traffic, suggesting major infrastructure changes would be needed to accompany changes in the vehicle technology itself.

Second, recent evidence suggests that while public opinion on driverless vehicles are moderating, more than 90 percent of people would not feel safe in a driverless vehicle that did not have the potential for manual override, suggesting we are nowhere near ready to relinquish control of the steering wheel to a robot.

Third, there is substantial inertia in our heavily regulated transport systems. Various technological advances have been made to improve safety, such as rear-vision cameras and intelligent speed adaptation, yet integration of even the most basic of these into the general vehicle fleet has been painfully slow.

Finally, while Australia is among the world leaders in road safety, there is still an implicit/grim view that road accidents involving human error are somewhat inevitable.

Perhaps we should take a leaf from Sweden who have had an explicit national vision since 1997 of a highway system with no fatalities or serious injuries involving road traffic and make this the catalyst that drives our autonomous future.

Professor Stephen Greaves is Chair in Transport Management at the University of Sydney’s Institute of Transport and Logistics Studies.

– sydney.edu.au/business/staff/stephen.greaves
JO BURSTON’S COMPANY, RARE BIRDS, IS PARTNERING WITH THE WARREN CENTRE’S INCLUSION² PROGRAM. THE IDEA IS SIMPLE: TO GIVE MORE WOMEN THE SKILLS TO BECOME ENTREPRENEURS.

It was when I visited my old secondary school to give a talk in 2013 that the idea for Rare Birds was born, so it’s no surprise education has been one of our key pillars. I asked the girls if they knew what an entrepreneur was. Most didn’t. Those who thought they knew the answer said “a man”. There and then, I had a vision to see a global community of one million women entrepreneurs by 2020.

I believe that entrepreneurs learn in the midst of uncertainty, change and action, and their dynamic cycle of learning is one of reflecting, asking, trying, doing, and reacting. I also think education should be accessible as well as inspiring. That’s why our business events seek to provide exceptional learning opportunities with real tools and takeaways that attendees can use to build their business.

It’s also why we’ve established a Rare Birds mentoring program. Mentoring is a proven form of real-time learning through the transfer of know-how, experience and wisdom, and the benefits are extensive for mentees and mentors. Our platform connects entrepreneurs with the right mentors and provides basic tools and direction to establish and grow their business.

We’ve also launched a program called startup.business, which works closely with schools and teachers to deliver an immersive learning program that supports a cohort of students on their entrepreneurial journey.

Innovation has been a key agenda for Australian industry, pushed by parliament as the only way to compete globally in the future. Quite simply, there can be no innovation without entrepreneurial thinking.

I believe female entrepreneurship is a key driver of a country’s prosperity. By creating the conditions for women entrepreneurs to flourish, countries are investing in their national wellbeing and competitiveness. Yet many women founders struggle to access the capital, technology, networks and knowledge they need to start and grow their business.

According to research conducted by the Australian Centre for Entrepreneurship via the Global Entrepreneurship Monitor (GEM), around 40 percent of the female population identify opportunities for new ventures and believe they have the necessary skills to start a business. However, only 7.8 percent of the total female population in Australia are involved in setting up or founding their own business.

The figures in STEM are even more alarming. Recently, I was looking at research into information technology patents from 1980 to 2010 and the size of the problem back then became crystal clear. Of those patents, 88 percent involved male-only invention teams, while only 2 percent were from female-only invention teams.

With this in mind, I was excited for Rare Birds to become a foundational partner of the University of Sydney’s Warren Centre for Advanced Engineering and to sponsor the first 50 female applicants to enter the centre’s new Inclusion² Entrepreneurship 101 Program. It’s a one-day masterclass designed to give women the information they need to get started as an entrepreneur.

We are proud to partner with a program in which the true definition of success is impact and outcome, not backing winners or chasing unicorns.

Jo Burston is a successful serial entrepreneur who wants to increase support for, and the visibility of, women entrepreneurs, so the next generation has inspiring role models.

– thewarrencentre.org.au
– #ifshecanican
– inspiringrarebirds.com

Enterprising women
Hold your pity
GLOBAL EXECUTIVE MBA GRADUATE
CLARY CASTRISSION BELIEVES
SOCIAL ENTERPRISES CAN CHANGE
THE WORLD – BUT NOT FOR FREE.

There is just one flaw in that old proverb: ‘Give a man a fish and you feed him for a day; teach a man to fish, and you feed him for a lifetime’. It’s all very well for the guy who’s doing the fishing, but what’s in this pearl of ancient wisdom for me?

There are four billion people living below the United Nation’s poverty line of $5 a day, and the global ‘market’ in poverty is valued at roughly $5 trillion. “Why not sell the man a fishing rod for a profit or finance a small fishing business and make money on the way through?” says Clary Castrission OAM and Global Executive MBA graduate who founded social enterprise 40K Plus in 2012.

There was a time when this kind of thinking would have attracted a “go-straight-to-jail-for-moral-bankruptcy” card, but no more. Indeed, the University of Sydney Business School now offers a postgraduate course called Poverty Alleviation and Profitability which teaches that corporations have a responsibility to invest in poverty-alleviating ventures for a return.

Responsibility aside, poverty alleviation can be profitable and, for this reason, is more likely to be sustainable. As former NSW Premier Jack Lang (1876–1975) once advised: “In the race of life, always back self-interest.”

Unfortunately, investing in the world’s poor for profit, even when mixed with a strong sense of social responsibility, doesn’t necessarily make for good ‘optics’, as they say in the public relations business. The dilemma that arises when money and moral perceptions collide is one with which Castrission has had to wrestle.

“When you go and see people who are not doing so well, the business part of your brain usually shuts down and you feel a sense of pity,” says Castrission. “Pity is not a good emotion. You can sit over a beer and really question whether it’s OK to charge people two or three dollars a month for a service when they are earning seven dollars a day in an Indian granite quarry or as farm labourers.”

The product Castrission had in mind was not fishing rods but English lessons. “Poverty alleviation is about freedom to choose,” he says. “When
those first people said ‘yep, we are prepared to pay so our children have that freedom’, we were stoked.”

Today, 4OK is working with 2000 children in villages across India and another 1000 in Cambodia with hopes of signing up 10,000 by the end of 2018. “What we’re doing is leveraging the idea that every parent wants the best for their child to assist them with something that will mobilise their children into better opportunities as they grow up and therefore lift them out of poverty,” Castrission says.

“In India, English is the language of commerce and law. Courses in India’s best universities are taught in English, business is done in English; it really is the national language. We are just attempting to service a need through a sustainable business.”

4OK is named for the number of dollars that Castrission estimated it would cost him to build his first school in India in 2006. He soon realised that investment in bricks and mortar was a flawed model. “I went over to India and just got blown away. Despite the school opening, it was just not scalable. I guess that was before I did my Global Executive MBA at the University of Sydney Business School,” he says with a grin. “The experience helped me to realise how much it was going to take and the sacrifices that were going to be made to establish a viable social enterprise.”

Castrission believes his 2018 target is achievable because the 4OK model is becoming more ‘scalable’. It is flexible enough to deliver, despite the challenges in remote villages of India, Cambodia and many other developing nations, such as unreliable or non-existent electricity supply, little or no internet and, critically, a lack of quality teachers.

He describes his model as “innovation by restriction”. It’s a kind of innovation that is often unorthodox, combines old and new technologies in astonishingly creative ways, is low cost, practical and, above all, works. Not surprisingly, India has produced some impressive examples: in 1981, the country’s first satellite was hauled to the launch pad on a bullock cart. 4OK’s 2018 equivalent is a digital tablet loaded with personalised lessons and delivered to a child by a motorcycle rider. “The education content, which is mapped to the local curriculum, is stored on the cloud,” Castrission says. “This online material is loaded onto a tablet at the nearest wi-fi point and literally carried the last kilometre or two to the village where a router powered by a battery pack shoots the lesson to the student’s own device. Every time they log in, it sends information back by the same route, so we can get longitudinal data on how every child is progressing.”

Lessons, which are supervised by a class facilitator employed from the local community, are held in what 4OK calls a “learning hub” at the end of the regular school day. Fees cover the learning space, teaching materials and the facilitator’s costs. While it’s not his primary concern, Castrission believes that, with some fine tuning, his social enterprise will eventually turn a profit. “The India market is 300 million people,” he says. “You only have to make a rupee per student (two Australian cents) and you’re doing pretty well.”

“We feel that by selling the service we get much faster feedback from customers and, secondly, it makes us more sustainable because if we break even, it doesn’t matter if we’re operating in one village or 10,000 – if we were giving the service and our funding stopped for whatever reason, your program would stop and we wanted to avoid that.”

Seed money for 4OK has flowed from the government, education and private sectors. Google and the Australian Department of Foreign Affairs’ Innovation Xchange have invested $500,000 in software while Australian software giant Atlassian last year selected 4OK from a list of 100 contenders for a $1 million donation. The prestigious Massachusetts Institute of Technology recently declared 4OK one of five winners of its global innovation competition, SOLVE.

Where would Castrission like to be in 10 years? “I’d like to be in 10 countries reaching a million children,” he says. “But right now, I don’t want to be driven just by numbers. I think it’s about creating some great partnerships and continuing to develop a more effective model. The market size is there, it’s just about how you can be most innovative in a way that will allow you to deliver quality at the right price.”

Trevor Watson is Director of Media for the University of Sydney Business School.

– 4okplus.com
Students improving their English language skills in a 40K Plus learning hub in Central India
Business for a better world

Nick Harrington believes shifting the needle on social issues is not the job of social enterprises alone, but the responsibility of business as a whole. He explains why.

Essential for building prosperous and healthy communities, the business community can be a formidable force for good that should be tackling some of society’s greatest challenges.

Through our work at the Manjeri School Project, we have seen the impact local enterprise in Uganda can have in building a community in an emerging market. We have invested in local businesses designed to cross-subsidise a primary school that we built in partnership with local leaders.

By investing in local businesses, rather than donations and perpetual fundraising, we can create sustainable cash flows for the school. Notwithstanding the challenges of building profitable businesses in emerging markets, this approach not only supports a school, but also builds independence, empowerment and community resilience.

At home in Australia, business is central to our very sense of community. Business drives many aspects of our lives and has the potential to do tremendous good while creating economic growth.

It all starts with the people within the business and its customers. Gainful employment gives us agency, connection, meaning and purpose. Employers greatly impact the lives of those under their direction, and this can have a ripple effect through families and deep into the wider community. The way companies behave directly and indirectly impacts a broad array of stakeholders.

We have seen tremendous development of social enterprises in Australia. Stand-out examples of these businesses established to create good include STREAT and the Vanguard Laundry which employ people with barriers to employment; Who Gives a Crap, which is turning toilet paper into an impactful consumer choice; and tech company HireUp, which is taking the disability sector by storm.

While it has been critical to distinguish these types of businesses and build a supportive ecosystem around them, social enterprises alone cannot shift the dial – it’s up to the entire business community.

By distinguishing social enterprises and other businesses, we have perhaps unwittingly lowered our expectations of ordinary business – to the detriment of society.

Have we established two clear categories, one which has a mandate to do good and the other an excuse not to? It shouldn’t be far-fetched for both investors and the general community...
to expect all management simply to do good by society.

Unfortunately, some management and shareholders see business as a vessel for wealth maximisation at all costs. In principle, business needs to earn and establish its licence to operate. A colleague of mine aptly explains that if business exhausts our shared global resources, it must in turn create something of genuine value to deserve the right to exist.

Lucrative margins and competitive advantages don’t simply grant business a reason to exist, at least for the long term, unless they genuinely help make society better. As an investor, I believe that long-term sustainable growth is dependent on enhancing community and genuinely giving back.

We should all expect more from business, none more so than those in control of capital. It was encouraging when the CEO of US investment management firm Blackrock Inc, Larry Fink, called on the business community to do more for society, stating that it is an imperative for business to make a “positive contribution to society” and that leaders should respond to broad social challenges and help make the world a better place.

Larry’s call to action is not a fantasy. We are fortunate to have great examples of companies acting as steadfast bastions of community and the environment. Outfitter Patagonia and ice cream maker Ben & Jerry’s are two companies that campaign for environmental causes and better social outcomes, and in doing so have created great shareholder value. There’s also an entire B Corp movement for sustainable business.

But there are also many other ordinary businesses quietly doing extraordinary things in the community that we need to support. I look forward to the day when we no longer have to distinguish between good and bad business and that we all expect the business community to fulfil its duty to the community.

Nick Harrington was awarded the 2018 BOSS Emerging Leaders MBA Scholarship. He is Founding Director of the Manjeri School Project, a social enterprise in Uganda that builds sustainable schools and employs from local communities. Harrington, who was a manager at social impact group Social Ventures Australia, has now joined Yendys Capital.

– manjeri.org

Nick Harrington with Manjeri General Manager, Jack O’Connor and team (Uganda, 2017)
Social

Investing in financial markets has historically been focused on generating the highest return for a given level of risk. Over time, the risk and return considerations of certain investment philosophies have evolved to incorporate environmental, social and governance factors; for example, avoiding investment in companies that produce military weapons.

More recently, impact investing has emerged as an investment philosophy. This approach aims not only to generate an adequate financial return for a given level of risk, but also to make a positive impact on a social or environmental issue. It provides an opportunity for investors to align their finances with their values.

Impact investing aims to provide a solution to a certain issue such as homelessness, poverty, mental health, education, clean energy or gender equality, among many others. Examples include investment in a wind farm, providing microfinance in developing countries or developing affordable housing for low-income households.

All investors aim to make a profit, but at what cost? Andrew Ainsworth explains a whole new financial strategy — and why it’s important.
There are a number of ways an impact investment can be structured but the basic idea is that investors provide capital to not-for-profit organisations, social enterprises or businesses aiming to tackle a social or environmental issue. These investments often involve an intermediary, such as a bank or investment manager, that directly allocates the capital to the impact organisation. An alternative approach involves investing in the impact organisation via public markets, such as the share market.

Although impact investing is not as developed in Australia as it is overseas, opportunities have increased over the past few years. State governments in Australia have issued several social impact bonds that raise capital to fund a program targeting a particular social issue. The bond makes coupon payments based on how successfully the program addresses the issue according to a predetermined formula.

The first social impact bond in Australia was issued by the NSW State Government in 2013 and raised $7 million to fund a program aimed at returning out-of-home-care children to the care of their parents. The success of this program is reflected in the bond’s return of over 13 percent a year in the four years since it was issued. Other social impact bonds have focused on assisting people with a mental illness and providing programs to reduce the reoffending and reincarceration rates of parolees.

In addition to state and federal government involvement, there are a large number of private sector businesses helping to develop impact investing. Specialist impact investment managers, investment banks and commercial banks are all getting involved to develop the impact investment landscape in Australia.

The major banks have been involved in structuring and marketing social impact bonds as well as providing seed capital for impact-focused organisations. Impact investment managers have launched, and continue to launch, funds raising capital from individual and institutional investors that will be invested into social enterprises and impact projects. A number of superannuation funds have also begun making impact investments on behalf of their members.

In late 2017, WA Super introduced a 100 percent impact investment option for its members. This option allows for all of one’s superannuation to be invested in companies aiming to have a social impact. It is unlikely that this will be the last super fund to offer such an option.

Although there are substantial benefits to impact investing, there are likely to be challenges as the approach becomes more widespread. For example, it is relatively straightforward to measure the financial return on an investment. However, objectively measuring social impact is not always as straightforward and it can be difficult to compare social impact across investments. This is an area the industry is working to improve.

Despite potential challenges, it is clear from impact investing that finance can be used to help solve social problems.

As investors become increasingly aware of the social impact they can have with their investments, more impact investment opportunities will need to be available in superannuation and other investments funds.

This change is already happening and it can only be a positive development for society.

Andrew Ainsworth is a Senior Lecturer in Finance at the University of Sydney Business School.

– sydney.edu.au/business/staff/andrew.ainsworth
On the back of two major coral-bleaching events, marine biologists working on the Great Barrier Reef during the spawning season have confirmed they found evidence of what they described as unusually resilient “super corals”.

Alongside finding an isolated reef area with significant biodiversity they had not seen in decades, their discoveries provided a stark reminder of what is at stake for the reef in the face of climate change and other environmental impacts – as well as a glimpse of hope for the future.

This has to be good news against what is a generally pessimistic backdrop, you are probably thinking. And the scientists certainly seem to be encouraged by this admittedly small mercy.

But this writer isn’t a scientist. I’m an economist. So you may also be wondering (not unreasonably), what an economist is doing writing about corals, climate change threats and the Great Barrier Reef.

Economics is a pretty broad social science, concerned with the production, distribution and consumption of goods and services, and how individuals, businesses, governments and nations make choices about allocating resources to satisfy their wants and needs.

And helping to create a better understanding of the value of resources, and how people interact with them, has been at the core of a number of diverse, and fascinating, engagements that Deloitte Access Economics has worked on in recent years.

In 2013, Deloitte was asked to value the iconic Sydney Opera House (at the time, an impressive $4.6 billion in economic, cultural and digital value), and it was this project that led us to an even more monumental task – calculating the economic, social and iconic value of one of the world’s most important natural assets and wonders, the Great Barrier Reef.

Everyone knows the reef must be a pretty substantial contributor to Australia’s economy. We know it generates jobs. We know it sustains a large tourism industry. We know it is an integral part of ‘Brand Australia’. And we certainly know it’s a stunningly diverse and ecologically critical environmental wonder.

But we also know it’s in trouble, and this is where understanding its value – what it’s worth, and what’s at stake in bald-faced monetary terms – can help to focus local and global minds, and shape thinking and policy settings, around its future.

The Great Barrier Reef Foundation, which enjoys the strong support of corporate Australia, asked Deloitte to embark on what became a complex, challenging, groundbreaking, and just a little sobering, quest to place a
value on a massive and irreplaceable natural asset.

Drawing on more than 80 economic and scientific data sources, models and valuators, as well as a survey of 1500 Australian and international respondents from 10 countries, we found that the reef is worth a staggering $56 billion, including a direct contribution of $6.4 billion to Australia’s economy. It also provides $29 billion in tourism benefits, and directly supports 64,000 jobs.

That’s just on the surface. The reef’s true value runs far deeper. We found that 65 percent of people value it as Australia’s most iconic natural site, more than half feel it’s vital to the planet, and two-thirds would pay to protect it.

Ultimately, our analysis positions the reef as “too big to fail”.

The reef is valuable in terms of its economic contribution as well as its broader social and icon asset value. The livelihoods and businesses it supports across the nation match the numbers supported by industries (financial services, for example), that we would consider too big to fail.

With all of the recognised threats to the reef – climate change, poor water quality from run-off, impacts from coastal development and illegal fishing – we hope that an understanding of the economic, social and icon value can help drive opportunities around action.

Of course, the reef has been an environmental and public policy priority for decades. But the significance of its contribution to the Australian economy, to jobs, and its remarkable value to people in Australia and around the world, suggest it should be given even greater priority by individuals, communities, businesses and all levels of government.

Beyond its unparalleled beauty and rich biodiversity, the Great Barrier Reef delivers real value to our economy and society. We all must do more – much more – to protect the reef. The Great Barrier Reef Foundation is committed to enabling large-scale, ambitious projects that go to the heart of building the reef’s resilience.

The reef is under threat. The tight and unforgiving deadline it’s up against necessitates an understanding of its true value to know what kind of policy response and action is required.

We hope our report is another step toward truly understanding what’s at stake for the future of the reef, as most of us cannot imagine a world without it.

John O’Mahony, BCom(Liberal Studies)(Hons) ’02, is a partner at Deloitte Access Economics.

– deloitte.com.au
Environment

Deadly denial

Let’s be clear: ‘Business as usual’ is killing the planet. Christopher Wright calls out capitalism’s deep refusal to address the climate crisis.

Climate change has become the ever-present reality of human experience. Late last year a procession of record-breaking hurricanes battered the United States and the Caribbean, huge wildfires burned through California and, in Australia, despite the death of up to half of the Great Barrier Reef in back-to-back coral bleaching events, politicians renewed their support for new mega-coal mines and coal-fired power stations.

While there is a clear scientific consensus that the world is on track for a global average temperature increase of 4 degrees Celsius by century’s end – threatening the very viability of human civilisation – our political and economic masters double down on the fossil fuel bet, transforming perhaps the greatest threat to life on this planet into ‘business as usual’.

This raises the question of why, given what is at stake, have we been unable to mount anything approaching a meaningful response? Why, to paraphrase environmental writer Elizabeth Kolbert, would a technologically advanced society choose to destroy itself?

In our research into global business responses to the climate crisis, Daniel Nyberg and I argue that global capitalism is locked within a process of creative self-destruction. By this, we mean economies are reliant upon even more ingenious ways of exploiting Earth’s fossil fuel reserves and consuming the very life-support systems we need for survival.

The world’s largest companies are rushing to develop new sources of fossil fuels such as deep-water and Arctic oil drilling, tar-sands processing, new mega-coal mines, and ‘fracking’ of shale and coal-seam gas.

This is occurring at the same time as crucial carbon sinks such as the world’s forests and oceans are being denuded. While many global businesses promote a message of action and leadership, this ignores the deeper problem of how the global economy is locked into a cycle of promoting evermore creative ways of exploiting nature and destroying a habitable climate. Despite the fashion for ‘sustainability’, ‘corporate environmentalism’ and ‘green growth’, humanity’s degradation of the environment has only accelerated.

Of course, a key question is how large corporations can continue engaging in environmentally destructive behaviour despite the disastrous consequences for human society and a liveable climate? We argue that corporations and their spokespeople are able to achieve this by incorporating criticism and reinventing the daily ritual of ‘business as usual’ as a perfectly normal and sound process.

For instance, through the narrative of ‘green’ capitalism, corporations and markets are portrayed as the best and only means of responding to the climate crisis. As business tycoon Richard Branson has proclaimed “our only option to stop climate change is for industry to make money from it”.

Many companies have established new roles and practices aimed at improving their eco-efficiency, greening their supply chains, producing new green products and services, marketing and branding their environmental worthiness, and reporting on their ‘sustainability’ upon a range of industry metrics.

Deadly denial

Let’s be clear: ‘Business as usual’ is killing the planet. Christopher Wright calls out capitalism’s deep refusal to address the climate crisis.
This sparkling image of business sustainability falsely promises no conflicts and no trade-offs; that it is possible to address climate change while continuing the global expansion of consumption.

In contrast to the blinding evidence of ever-escalating greenhouse gas emissions, this comforting political myth promises no contradiction between material affluence and environmental wellbeing.

We can have it all and, according to the myth of corporate environmentalism, avoid climate catastrophe.

Moreover, citizens are called upon to enrol in this mythology as active constituents in corporate campaigns, as well as consumers and ‘ecopreneurs’ in the quest for ‘green consumption’. We have become the brands we wear, the cars we drive, the products we buy; and we are comforted to find the future portrayed as ‘safely’ in the hands of the market.

The supremacy of ‘business as usual’ thus exacts a powerful grip on our daily thinking and actions. It is a grip strengthened by the promotion of every new ‘green’ product, a grip tightened through the establishment of sustainability functions in business and government, and a grip defended for radical (and probably painful) economic change. This includes the dramatic decarbonisation of energy, transport and manufacturing and the mandatory regulation of fossil fuel extraction and use.

To state such conclusions is of course heresy. We like to believe ‘business as usual’ can continue and that nothing radical can or will change. The irony of this belief is that if we continue as we have, everything will change.

Christopher Wright is Professor of Organisational Studies at the University of Sydney Business School.

- sydney.edu.au/business/staff/christopher.wright

Images by:
Fire – istock.com/Byronsdad
Earth – istock.com/nedomacki
Windfarm – istock.com/lizchen
Climate change is one of the greatest ecological, economic and social challenges the world faces today. The scientific evidence that human activities are contributing to climate change is persuasive.

Society and, in particular, the financial services sector, are increasingly seeking answers on the nature of the evidence and responses to a changing climate to safeguard our future. Climate change poses clear risks to the future prosperity of the modern world and is an acute threat to global development.

It would not be a stretch to conjecture that the climate crisis of the 21st century has been largely caused by multinational corporations – a particularly damning statistic shows that just 90 of the world’s largest multinationals are responsible for two-thirds of all greenhouse gas emissions generated since the dawn of the Industrial Age. Among them, the top eight companies account for 20 percent of world carbon emissions from fossil fuels and cement production.

Nearly every large multinational now accepts climate change as a fact and is keen to adopt environmental strategies to enhance business performance. The level of emissions released by a multinational also impacts its home country’s economic growth and societal health.

China is the leading polluter in the world followed by the United States, Russia and India and, coincidentally, these four countries are home to the largest proportion of multinational environmental violators.

There is growing concern among corporations that climate change poses a considerable risk to their bottom line. While policymakers fear that a unilateral carbon policy will reduce competitiveness, increase imports and lead to higher carbon emissions elsewhere, many businesses recognise that climate change could ultimately derail their operations – either from the physical risks that could threaten their processes or regulatory challenges that could impact their bottom line.

My research shows that environmentally friendly multinationals have much higher total assets but lower revenues and cash holdings. But these companies also have better corporate governance than their counterparts that have no environmental policy in place.

I also found that the environmentally friendly multinationals report net income that is economically and significantly lower than their environmentally unsustainable peers. This contrast points to the notion that businesses should identify whether it would be optimal for every multinational to adapt environmental policies (for example, ‘clean tech/green policy’) to improve performance and hence contribute to the country’s economic growth overall. Or should it be only a certain group of multinationals that would be adapting planet-friendly policies?

For environmentally sustainable multinationals, there is some degree of correlation between corporate governance and net income, implying that as a company’s governance level rises, income will rise accordingly.
Climate change adaptation is often a function of a company’s leadership – a desire to maintain profitability, reduce costs and minimise disruption to operations in a changing climate.

External factors that may drive adaptation may encompass past experience of climate impacts and extreme weather events, regulatory and legal factors, reputational, corporate citizenship and stakeholder or investor pressure or market drivers including the demand for new products and services.

It is critical for governments to provide research funds to understand how synergies between multinational-led adaptation efforts and government-led efforts can be amplified and potentially adverse climate crisis impacts minimised.

Considering the growing demand for private sector engagement and finance around the world, it is perilous evaluating policies that can support and incentivise private sector adaptation and partnerships between multinationals, governments, non-government organisations and academia that can enhance the capacity of companies and communities to adapt green policy.

Adaptive capacity determines the extent to which a business is aware of its susceptibility, and can evaluate, make decisions about and implement adaptation measures, whether in anticipation or in response to climate change consequences.

Building adaptive capacity is important and involves creating the information and conditions (regulatory, institutional, and managerial) that are needed before adaptation actions can be undertaken.

Multinationals have a greater capacity to shift operations and reallocate resources across countries and sectors. Hence they are seen as having the ability to supply resources and/or the know-how needed for adaptation, which is the process of adjustment by companies to actual or expected climate change and its effects through changes in business strategies, operations, practices and/or investment decisions.

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“Ninety of the world’s largest multinationals are responsible for two-thirds of all greenhouse gas emissions generated since the dawn of the Industrial Age.”
Pollution at a price
THE WORLD NEEDS TO TURN TO RENEWABLE RESOURCES FOR THE NEXT STAGE OF THE INDUSTRIAL EVOLUTION. PRICING CARBON IS PARAMOUNT – AND COMPLEX, WRITES ANDREW PETERSEN.

Let me tell you a story about BlackRock. No, I’m not talking about that little black rock called coal, although this piece is, in part, related to it – indeed, it is the protagonist in this story.

I’m talking about BlackRock, the world’s asset manager with $7.1 trillion in assets under management as of mid last year. By comparison, Australia’s annual GDP is $1.7 trillion per annum. So, a pretty powerful and, many acknowledge, influential organisation.

Every year, Larry Fink, the Chairman and CEO of BlackRock, writes an open letter to CEOs. He begins this year’s tome ominously: “As BlackRock approaches its 30th anniversary, I have had the opportunity to reflect on the most pressing issues facing investors today”.

He then lays out a challenge for business: “Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce? Are we adapting to technological change? Are we providing the retraining and opportunities that our employees and our business will need to adjust to an increasingly automated world? Are we using behavioural finance and other tools to prepare workers for retirement, so they invest in a way that will help them achieve their goals?”

The Fink letter has reverberated around the world – on Wall Street; in the Square Mile and Canary Wharf in London, Central Sheung Wan in Hong Kong, and Exchange Square in Sydney. It follows similar messages in recent years from a variety of regulatory and business leaders that the world must set itself on a path to sustainability by acting on both sustainable development and climate change.

This path is one that business has no choice but to follow. Climate change is an existential threat to the future of our planet’s sustained and sustainable economic growth. It is the biggest issue society, economies and the natural environment face in our lifetime. The need for action on sustainable development and climate change demands greater attention from business, government and the community, or civil society, as a whole. Communities are demanding it. Shareholders are insisting on it.
The planet, in its own way, is telling us as well – just look at the highly unusual weather around the world over the Australian summer – record heatwaves here, snow in the Sahara Desert, record-breaking storms in the United States and cyclones in Ireland.

On the whole, business and government are not keeping up with the collective, collaborative pace at which the world should be investing in our sustainable future. As the gap between action occurring and need grows, great responsibility will fall on future generations of business and government leaders to catch up and bridge this gap, which can only be described as a generational chasm.

Sustainable development, led by climate change, dominates the agendas of boardrooms, executive teams and governments in the now and in the decades ahead. It will be the underlying, if not the defining, issue for today and tomorrow’s leaders in business and government.

Action is afoot. First, the world is moving, too slowly, toward pricing carbon. Some countries are moving faster than others. Indeed, some countries are not moving at all. The best way to stop using the atmosphere as an open sewer is to put a price on pollution, paid by business and government enterprises. It has to happen.

All that remains to debate is the type of lever or mechanism to be used. Business leaders need to understand carbon markets in pricing emissions, offsets or abatement such as ‘carbon sinks’ and ‘carbon farms’.

Second, regulators and markets around the world are starting to demand that companies and government enterprises disclose climate-related risks and opportunities related to the Paris Agreement. Business needs to disclose carbon liabilities – for transparency about emission reduction strategies and for climate response strategies to be integrated into core businesses.

The Bank of England has been an active proponent of action, with Governor Mark Carney saying in 2015:

“Alongside major technological, demographic and political shifts, our very world is changing. Shifts in our climate bring potentially profound implications for insurers, financial stability and the economy.” More succinctly, he said, “Climate change is the tragedy on the horizon.”

Governor Carney spoke of three broad channels through which climate change can affect financial stability:

- physical risks: the impacts today on insurance liabilities and the value of financial assets that arise from climate and weather-related events
- liability risks: the impacts that could arise tomorrow if parties who have suffered loss or damage from the effects of climate change seek compensation from those they hold responsible
- transition risks: the financial risks which could result from the process of adjustment towards a lower-carbon economy.

The Australian Prudential Regulatory Authority (APRA) joined the chorus twice in 2017. Executive board member Geoff Summerhayes was unambiguous when talking of the implications of sustainability and climate change.

In February 2017, he spoke of a greater emphasis on stress testing for organisational and systemic resilience in the face of adverse shocks. “It could be the case that, just as we would expect to see more sophisticated scenario-based analysis of climate risks at the firm level, we look at these risks as part of our system-wide stress testing,” he said.

In November 2017 Mr Summerhayes put business on notice. “Increasingly, APRA will expect more sophisticated answers, especially from
well-resourced and complex entities. As APRA identifies entities with better practices, we will further engage those institutions to gain a deeper understanding of how they approach, measure and manage these risks, and share this as industry guidance.”

In January this year, world business and political leaders gathered in Davos, Switzerland, for the annual World Economic Forum. They were told the environment was by far the greatest concern raised in a survey of 1000 business leaders around the world.

Among the 30 global risks the experts were asked to prioritise in terms of likelihood and impact, all five environmental risks – extreme weather; biodiversity loss and ecosystem collapse; major natural disasters; man-made environmental disasters; and failure of climate-change mitigation and adaptation – were ranked highly on both dimensions. Extreme weather events were seen as the single most prominent risk.

For any business challenge, the first step in solving any problem is being aware it exists. The second step is researching the problem. The third is collaborating on solutions. The fourth is advocating for policy, investment and innovation that will create scale and accelerate the low-carbon transition needed.

The good news is that the world has done much of this already and business is right in the middle of it, led by organisations such as the World Business Council for Sustainable Development, of which Sustainable Business Australia is the Australian Network Partner.

First, there’s the United Nations Framework Convention on Climate Change, which as the name suggests delivers a framework for action. One of the more recognised symbols of this framework was the Paris Climate Agreement, signed with great fanfare in late 2015. The second framework, which doesn’t have the ‘rock-star’ status of the Paris Agreement but is equally important, is the United Nations Sustainable Development Goals, which seek to deliver a more sustainable world by 2030. Climate change is one of the 17 areas of action.

The problem of climate change can be traced back to the mid 1700s when government and business started burning fossil fuels, including that little black rock called coal, at the start of what became known as the industrial revolution. It solved a need – supplying energy to fuel that revolution – but as we now know, it has created unintended consequences. For this generation of leaders, the consequences are no longer unintended or unknown.

We’re now dealing with those consequences, in every aspect of our professional and personal lives. This is why the next phase of humanity’s sustainable, inclusive, cohesive growth – Industrial revolution 4.0 – needs to be fuelled by advanced, alternative, renewable resources.

While many are melancholy about this challenge, it should also be seen by business leaders as an invigorating one, where the prospect of innovation, investment, enterprise, entrepreneurialism and collaboration should come to the fore.

As Fink says, society is demanding that companies – both public and private – serve a social purpose. “To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society”. What an unrivalled opportunity and challenge for today and tomorrow’s business leaders.

Andrew Petersen is Chief Executive Officer of Sustainable Business Australia, Australia’s peak organisation for businesses on the path to sustainability through aligning with the Sustainable Development Goals and acting on climate change.

– sba.asn.au
Fields of vision

What is agriculture? What happens when you add sustainable in front of it? And what does it mean in the Australian context? Shenal Basnayake addresses these critical questions.

Having fallen into agriculture by chance rather than design in the early stages of my career, I never really tried to define sustainable agriculture from an Australian context. I was told agriculture in Australia was best practice, and that as an industry it was growing, and therefore sustainable.

Sustainable agriculture is not a new concept. If one looks back historically at farming systems, many of which still exist today, sustainability is essential. Agriculture has been around for many thousands of years – by virtue of this, sustainability must be at play. When I reflect upon the practices I have seen in parts of my home country Sri Lanka and in passing conversations I have heard in its villages, the care given to understanding the ecosystem is still paramount, although slowly fading.

According to the Food and Agriculture Organization of the United Nations there are more than 570 million farms across the globe, while the International Labour Organization states that over a billion people are employed in the agriculture sector globally. Sustainable agriculture is more than just farming systems, it is the way in which humans connect with the natural environment in the pursuit of a primary need: sustenance.

While we have transitioned in many parts of the world to mass production of agricultural commodities, this does not mean that we can set aside the need to do so in a sustainable manner. In fact, with the growth of mass production, so should we see an increase in investment into the science and knowledge of sustainable agriculture. Apart from the nutritional and environmental aspects, sustainable agriculture is also about the economic and social aspects of our lives. By building sustainable agriculture systems, we also create economic and social empowerment.

I have realised that many of the public statements about Australia have proved true; it is certainly at the forefront of sustainably managing agriculture, and not only is Australia doing this successfully, it is doing so in a vast continent of varied geographies and climate.

During my time in the Northern Territory as CEO of NT Farmers, I experienced sustainable agriculture first hand, often in harsh environments. Farmers understood
they needed to manage their activities in a manner that enhanced the positive attributes of the natural environment.

The Northern Territory is the largest producer of mangoes in Australia, but water is a scarce resource: it is almost entirely artesian. Many leading farms are now using smart technology to monitor water use. With an array of sensors, they can use just the right amount of water, for the right amount of time, with the least amount of loss.

Another example is the combined use of drones, satellite imagery and water-use data to map orchards, resulting in planners and policymakers understanding the water use requirements based on orchard size. With the growth in orchards, this data is used to forecast future water and land use requirements, as well as monitoring existing orchards.

The same spatial data can also be used to forecast the use of other inputs such as fertilisers, labour, and packaging; all very important to managing agriculture sustainably.

In my present role in the NSW Government’s Local Land Services, I lead a number of business areas, including agriculture and natural resource management. The view I take is that these areas are not mutually exclusive. To build productive agribusinesses, healthy natural environments are critical.

Programs such as Catchment Actions NSW are enablers for farmers and community groups to come together to develop solutions that protect native vegetation, repair soils, restore the health of waterways and manage pests, to name a few. All outcomes realised, regardless of whether they are on-farm or off, add to Australia’s commitment to sustainable agriculture.

So back to Australia’s place in sustainable agriculture, it is undeniable that we have an important role to play, not just in the sustainable cultivation of crops and animals, but in the science of sustainable farming, the preservation and dissemination of knowledge, creating the right systems and tools to enhance production in a way that harnesses and protects the natural environment, while also meeting the needs of growing populations.

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Tractor - istock.com/JamesBrey
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The not-for-profit sector has seen radical change in the past few years and will continue to do so in our country. This change is driven by governments slowly shifting the focus from funding one-size-fits-all services to giving choice of care to the consumer.

The National Disability Insurance Scheme (NDIS) is a prime national example. This is a positive change. Consumers should have the right to move or change providers when they choose to do so. It makes the industry work harder to be imaginative, innovative and strive for the highest standard of service.

In order to understand the changing landscape and its effect on not-for-profits, it is first important to understand how funding was allocated in the past. For many years, not-for-profits delivered services primarily through government grants. Put simply, the government saw an area of need, the service went to tender, and often a not-for-profit was awarded the funds to deliver the service.

This was a good solution because the service provision was often delivered in an efficient manner, by an experienced provider that usually had a long track record of success in that sector. The downside, however, was choice. This model, often called ‘block funding’, did not allow choice for the consumer and meant people were required to use whichever service provider delivered the funded services in their location. It also meant that service provision relied purely on government funding.

The change from ‘block funding’ to what we call in the industry ‘consumer-directed care’ is absolutely vital and far more aligned to a human rights-based approach. But change brings uncertainty.

The question is, how do not-for-profits remain viable for the people who need them at a time of significant change, and in a way that is not just about holding the status quo but welcoming change and thriving through it?

Not-for-profits must rethink their funding model and traditional business models to ensure their longevity and resilience in this rapidly changing landscape. Where they previously spent a lot of time on government relations, they must now act more as a business-to-consumer organisation while retaining a focus on positive outcomes and strong relationships.
So, what does this look like? The first thing not-for-profits must do is avoid the financial gymnastics of tendering for unsuitable and short-term services to keep their former business model afloat. This approach is short-sighted and does not create the innovation and reform the sector needs to change service delivery.

Instead, not-for-profits need to become more sophisticated in analytics to understand their customers, and braver about piloting new programs and services. Very few people who experience disability, vulnerability or disadvantage have one issue alone for which they need support.

Just as commercial operations look at the landscape of what people are wanting in services they seek out, our industry also needs to do the same by asking ‘what is the totality of support a person needs’, ‘how will these needs change in the future’ and ‘how can we offer these services better than anyone else’? This notion of competition has been a little taboo in the not-for-profit space, but the reality is that a competitive spirit drives better service offerings and holds us all to account with our customers.

In answering these questions, not-for-profits move away from just rethinking their funding model and instead move towards a sustainable, diversified business model, similar to a for-profit business but with the focus being on long-term sustainability of client services. To drive a successful and sustainable business, you need to set yourself up as an employer of choice, recruit professionals who have strong business acumen and a commercial mindset. They should also share the organisation’s values and be motivated by improving outcomes for the people they serve.

At Life Without Barriers we are committed to continuous improvement, service quality and person-centred care. These factors help to position Life Without Barriers in the minds of consumers as a trustworthy and stable provider for their long-term care and support and also one that won’t be afraid to shake up the way things are done. We are in it for the long haul, prepared to take some risks and do things differently to stand out from the crowd. We believe all not-for-profits need to have this mindset in order to stay viable long term.

Hundreds of thousands of Australians are relying on them.

Claire Robbs (Executive MBA ’11) is Chief Executive Officer of Life Without Barriers.

– lwb.org.au
Finance

Pressing questions

HOW CAN WE CHANGE OUR BUSINESS BEHAVIOURS TO REDUCE CURRENT AND FUTURE RISKS OF CLIMATE CHANGE? PROFESSOR STEVE ELLIOT OFFERS SOME STARTING POINTS.

This year had barely started before headlines reported the previous decade to be Australia’s hottest in recorded history. Then the temperature in a Western Sydney suburb rose to 47.3°C, the highest temperature recorded on that day anywhere in the world.1 With bleaching coral reefs, mass extinctions of endangered species, melting ice caps and extreme weather events, the growing impact of climate change is becoming hard to ignore.

Business leaders have additional concerns. Business value is at risk due to supply chain disruption from cyclones; flooding of factories and offices; bushfires sparked by power lines shorting in storms; and rising sea levels threatening ports, railways, cities and airports.

In August 2017, climate change risk also became a legal risk for business. In an action aiming to transform corporate behaviour, a ‘world-first’ lawsuit was brought against an Australian bank by shareholders for failing to disclose their exposure to climate change risk in their annual report.2 The claim was that shareholders would suffer material loss should a coal mine funded by the bank became a stranded asset, ie, not permitted to operate for the full planned life of the mine because of carbon emissions from the mine’s operation.

The bank would be unable to recover its loan and the bank’s shares would lose value.

Since then the United States has seen class actions brought against oil and gas majors due to damage to seaside housing from rising waters caused by global warming. One oil major is currently being sued by shareholders and its own staff superannuation fund for publicly disputing the future impact of global warming due to carbon emissions over a 30-year period, even while the link was acknowledged internally. The claim was that shareholders (including the staff superannuation fund that held shares) could suffer material loss from declining share values.

Business executives and directors reading about these lawsuits may be wondering how they can learn more about these issues and their associated risk. Starting with: what is global warming and climate change risk? What do these issues mean for them? Why is it important? What can businesses do to mitigate their exposure? Why should they do it, and when?

What is global warming?

Global warming is the increase in air and sea temperatures due to human-caused carbon emissions. The relationship between increasing carbon dioxide and consequent increases in air temperature is not a recent discovery. It was established more than 100 years ago. The impact of these rising air temperatures includes: melting ice caps, rising sea levels, extreme weather events and their implications, for example, coral bleaching and ocean acidification.

What is climate change?

This is a broader term that includes impacts beyond rising temperatures such as the effect of changing rainfall patterns and droughts on plant and animal life in a specific location. Both global warming and climate change contribute to the dramatic global loss of species currently being experienced. This is the sixth wave of mass extinction in world history, and the first to be attributed to human behaviour.

Business value at risk relates to the benefits companies source from the natural environment, including resources and raw material, processed materials, water, air, and food and shelter for employees.

Business impacts on the environment include pollution of air, land and waterways, over-fishing, land clearing, farming, mining, building roads, cities, airports, dams, and ports.

Why are these changes significant?

Scientists present compelling cases that the environment is being transformed by human behaviours that have resulted in the early stages of global warming and climate change, with catastrophic results in flooding, fires, hurricanes, rising sea levels, droughts and species extinctions. These extreme events will become worse without urgent and effective broad-based comprehensive action. Business, government and society must all transform our current behaviours.

How might executives respond?

A more considered question for executives and boards is, how can we change our business behaviours to
reduce the current and future risks of global warming and climate change? The most immediate goal is to reduce carbon emissions to a level sufficient to prevent worsening impacts from global warming.

Initially business executives may take action because of their personal commitments and to address business value at risk. However, regulatory requirements and potential litigation are becoming factors. Being a good corporate citizen is more important. Business, governments and society all need to make crucial contributions to reducing negative impacts on the environment while contributing to repairing the damage. Business leadership is particularly important; a recent international review found Australia has not succeeded in establishing effective government policies that enable it to meet its nominated carbon emission targets. ³

A starting point for business leaders is to learn from the experiences of pioneering companies. Sustainable Business Australia (SBA) is a coalition of pioneering organisations acting as a catalyst to address the United Nations’ sustainability goals: global initiatives addressing environmental, governmental and societal challenges. Sustainability initiatives are being driven also by individual business leaders. Larry Fink, Founder and CEO of BlackRock, the world’s largest investment company, with $US1.7 trillion in funds under management, sent a message in January 2018 to 120 CEOs of companies it invests in (see page 19). The message was clear – companies must develop a sense of purpose to contribute positively to environmental, governmental and societal challenges: “Without a sense of purpose, no company, either public or private, can achieve its full potential.” Companies that ignored this necessity would, “ultimately lose the license to operate from key stakeholders”.⁴

Regulators are driving changed behaviours. Members of corporate boards have a duty to act at all times in the company’s best interests, which includes disclosing and responding to recognised material risks, specifically including climate risk. Board members that fail to address recognised risks which result in material loss to the company may be held personally liable. The financial regulators in the G20 – the world’s 20 largest economies including Australia – have determined a voluntary system of corporate disclosures to climate risk that includes models for scenario planning for different industries.⁵

Regardless of personal views or political perspectives, global warming and climate change are highly complex, multifaceted global challenges that increasingly threaten the existence of life on Earth as we currently know it. Collaboration between business, government and society is critical and universities have a key role in addressing this challenge.

The University of Sydney Business School, a member of the SBA coalition, acknowledges the challenges of business sustainability, particularly global warming, as being arguably the most significant driver of transformation for business, government and society now and into the future. This challenge requires urgent, integrated action at scale. The Business School has expertise across a broad range of strategic business disciplines and issues to assist business responses. It is contributing to a national climate-change collaboration initiative involving business, government, universities and societal groups.

Collaboration is key to achieving the scale necessary to address these global issues. Ban Ki-Moon, former secretary-general of the United Nations, presented the stark choice: “If we can’t all swim together, we will sink. There is no Plan B, because there is no Planet B.”⁶

Professor Steve Elliot is Director, Business Environmental Sustainability Research Group at the University of Sydney Business School.

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You wouldn’t read about it

REPORTING ON CORPORATE SOCIAL RESPONSIBILITY IS FRAUGHT WITH CHALLENGES. MAX BAKER EXPLORES A FEW IDEAS FOR GREATER TRANSPARENCY.

Corporate social responsibility (CSR) reporting was once described to me as “a child being able to write his or her own report card”.

Good kids will give themselves honest and positive reviews. But what about the naughty kids? Will they provide truthful reports as well? Not likely.

Of course corporate managers aren’t naughty kids, but they are under immense pressure to create a perception of performance. So while some may use CSR reporting to signal their social and environmental achievements, other managers will use the same type of report to manipulate the public’s perception in favourable ways. Such are the basic realities of corporate social reporting in the absence of mandatory standards. At present in Australia, and indeed in many other developed countries, there is no clear incentive for companies to give a true and fair report of their own social and environmental impacts.

However, making CSR reporting mandatory is still unlikely to improve transparency. Here’s why.

CSR reporting was originally designed to emulate financial reporting. For the most part, financial reporting works because it communicates the economic performance of a company to its owners – warts and all. The owners then punish or reward their managers, who change their behaviour accordingly. On the other hand, the current CSR standards, like the Global Reporting Initiative (GRI), are loose reporting ‘frameworks’ that allow companies to pick and choose categories on which to report. This encourages companies to lean into their strengths and away from their weaknesses, resulting in a largely rosy perception of their performance.

But aren’t CSR reports audited? Yes, but audits of CSR reports and financial statements are very different. In the latter, a ‘completeness assertion’ maintains that auditors are responsible for finding and then disclosing bad information. CSR auditors are not required to be such bloodhounds and need only check that disclosures are factually correct.

For instance, there was nothing factually incorrect when BHP said it achieved “a 21 percent reduction in GHG emissions” despite its coal sales increasing seven percent and reaching 29 million tonnes in the same year (BHP, Sustainability Report, 2017, p. 32). BHP can make this valid claim because it defines emissions as being from its operations, not the emissions that result from the coal it sells. This seems like a fairly obvious manipulation of the public’s perception in relation to its central role in global climate change.

After the facts have been assembled, CSR reports are given to the marketing team who are free to add anything they feel portrays the company in a good light: bright graphs, images of rainforests, scientific labs, children and smiling indigenous people in hard hats. Any semblance of cold hard analysable information disappears into emotional puffery.

Reducing the credibility further is an entire industry which makes money from externally legitimising CSR reports. Many professional firms, bodies and organisations provide awards for the best CSR reports – often produced by their own clients.

But the cherry on top of the CSR cake is responsible investment funds and indices like the Dow Jones Sustainability Index, which promotes the trading of companies based on them being ethical businesses.

Of course, the trouble with awards, funds and indices is that they all equate the amount of disclosures to actual environmental and social performance. In doing so, they trick the average person into thinking that many companies are environmentally and socially responsible, when actually they just have the thickest and glossiest CSR reports.

Take British American Tobacco, Rio Tinto, BHP Billiton, Lockheed...
Martin, Halliburton, Wal-Mart and McDonalds. The average person may tell you these companies have been involved in controversial, if not immoral business practices over the years. Yet all of these companies have at one stage appeared on the Dow Jones Sustainability Index and been lauded for their corporate responsibility. It is entirely absurd to think that tobacco giants, arms and chemical manufacturers are the most ethical companies in the world.

So, unfortunately, we find ourselves in a situation possibly worse than it was before CSR reporting became mainstream. Total misinformation has replaced an absence of information. Luckily, the public has also become mostly sceptical of CSR.

Can we change CSR to make it trustworthy?

Mandatory standards are unlikely to fix the problem but they are a good start, particularly if there are several categories within which companies are required to disclose information. For some time, accounting researchers have described various options for a comprehensive and complete set of mandatory measures, so there is a lot of guidance available.

CSR information should then be collated in a separate report away from the emotional narratives and images used to manipulate the public. There is a reason financial reporting standards forbid extraneous photos and text within the main report.

Interestingly, there are also a number of darker options available for improving corporate transparency.

Created by stakeholders, NGOs and community groups, so-called ‘shadow’ reports offer alternative insights into the activities of companies. Oxfam is a leader in producing these reports – see, for example, its 2016 ‘Climate Finance Shadow Report’. Darker still is the potential use of leaked information to produce parallel reports of company activities. My colleague, Jane Andrew, and I have begun to explore the hidden details contained in publicly available leaks to shed new light on foreign oil operations in Africa.

These leaks have so far revealed alarming insights into activities, which, because of their remoteness, remain invisible to the media. Not only have we found a world of corruption and violence, but also a level of corporate fragility and a reliance on the state – the furthest thing from the responsible, independent corporate citizens presented in CSR reports.

Our work has also opened us to the potential use of mobile technology to collect information about corporate activities and the use of social media to provide platforms for building a comprehensive, verifiable understandings of company performance. Indeed, these new digital shadow reports have already begun to be produced.

Max Baker is Senior Lecturer in Accounting at the University of Sydney Business School.

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In the news

GEMBA graduate appointed CBA Chief Executive

Matt Comyn, graduate of the Business School’s Global Executive MBA program, has been appointed as CEO of the Commonwealth Bank of Australia.

Mr Comyn, who recently replaced Ian Narev as the head of Australia’s largest bank, enrolled in the 18-month program in 2012 with a view to improving his leadership skills.

At 42, Mr Comyn is the youngest CEO in CBA history. And yet, he has already had 20 years of experience in banking – business, institutional, retail and wealth management, and has significant technology expertise.

He joined the Commonwealth in 1999 and later ran the share trading platform CommSec. In 2012, he was appointed Group Executive Retail Banking Services.

UN Women NC Australia scholarships awarded

The founder of an economic policy consultancy led by women and the Head of Advocacy for a major children’s support group have been awarded UN Women National Committee (NC) Australia scholarships allowing them to join the Business School prestigious management education programs.

Amanda Robbins, the founder of Equity Economics, a female-led policy consultancy, and Deputy-Director of the Australia-Indonesia Partnership for Economic Governance, was awarded the UN Women NC Australia Global Executive MBA (GEMBA) Scholarship.

“It can be difficult for people, often women, to prioritise investing in their education, with pressures on their time, finances and interests,” says Ms Robbins. “The scholarship helped me decide to return to study and think more deeply about the challenges facing organisations and leadership.

“Having worked in Jakarta for the last three years, I was looking for a course that would bring me home to Sydney while still being connected to the global economy. The GEMBA incorporates study in India, America, England and Israel. It’s going to be a fascinating 18 months.”

The recipient of the UN Women NC Australia MBA Scholarship is Claire Taylor, the Head of Advocacy and External Relations for Royal Far West which provides integrated health, education and disability services to children in remote and rural Australia.

“It’s a tremendous honour to receive the scholarship,” she says. “The MBA will provide the management tools I need to be a stronger leader, broaden my networks, introduce me to innovative ways of thinking, and encourage me to dream bigger.”

In 2015, the Business School’s MBA became the first in the country to admit more women than men.
First CEMS graduation held outside Europe

As the only CEMS member in Australia, the University of Sydney Business School hosted the first Masters in Management (CEMS) graduation to be held outside Europe in its 29-year history.

More than 1200 students from 60+ countries graduated from the 2017 global program that sees students spend at least one semester overseas at a top university belonging to the CEMS network.

“It was a brave decision to hold the graduation outside of Europe where CEMS was founded,” said Professor Whitwell, Dean of the Business School. “In years to come, it will be regarded as a defining moment in the history of the University of Sydney Business School and for the CEMS Alliance.”

Our Master in Management excels in QS ranking

Our Master of Management program has been ranked number one in Australia and 24th in the world by the 2018 Masters in Management Rankings. The result comes in the wake of similar results in rankings published by the London-based Financial Times and The Economist. Both publications placed the Business School’s Master of Management at number one in Australia while the Financial Times also ranked the program at number 25 in the world.

“Our recent rankings highlights the quality of the education we provide, which is based on experiential learning and a close relationship with our key corporate partners,” says Professor Greg Whitwell.

Transport researcher recognised for influence

The prestigious Massachusetts Institute of Technology (MIT) in the United States has identified the Business School’s Professor David Hensher as a central figure in the field of international transportation research.

Using a number of criteria, a recent MIT study placed Professor Hensher at or near the centre of co-authorship networks in transportation research.

Professor Hensher, who heads the school’s internationally respected Institute of Transport and Logistics Studies, was found to be one of the world’s most prolific, influential and cited co-authors.

– sydney.edu.au/business/news

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Hugh Harley
Financial Services Leader, Australia, PwC

Hugh leads PwC’s global Financial Services practice in Asia-Pacific. He is an adviser to Australian and Asian financial institutions, industry bodies and regulators across a diverse range of governance, strategic, risk, internal audit, and operational issues.

His other interests include teaching Australian economic history at the University, contributing to a range of non-for-profit organisations, including chairing Cancer Council Australia’s Audit Committee, and participating in innovative energy developments. His wife Anne runs a beef and hay farm in the Hunter Valley, so his weekends are often filled with activities to improve soil fertility and water efficiency.

Hugh recently stood down from the University’s Business Alumni Network. “It was a great honour to be inaugural President of the network,” he says, “but after five years on the committee, it was time to pass the baton on. The progress by the new alumni team has been fantastic and I continue to get a great deal out of attending the network’s functions.”

Tash Menon
Master of Marketing, 2016
Director, MASH Brands

Tash’s career has taken her on a global journey, from working in niche areas of the luxury, lifestyle and hospitality sectors in London, Asia and Australia, to launching her own business.

As head of marketing for an internationally acclaimed chef with restaurants across five countries, Tash developed and executed a brand strategy that received international recognition and led her to be shortlisted as one of eight finalists for 2016 Marketer of the Year at the Australian B&T Women in Media Awards.

After completing a Master of Marketing, Tash made the decision to launch her own business called MASH Brands, an in-source marketing and communications service.

“Combining postgraduate study with my professional experience was, without a doubt, a great platform to start my own business,” she says. “I think one of the best benefits of completing my Master of Marketing at the Business School was its holistic approach to learning. I learnt so much about different areas in business that I hadn’t personally been exposed to, and was very fortunate to have some wonderful clients.”
Jacky Kiswanto
Bachelor of International and Global Studies, 2011
Bachelor of Laws, 2013
Master of Management (CEMS), 2015
Strategy and Internationalisation Analyst, solarisBank AG

Jacky Kiswanto is a truly global citizen. Born in Jakarta, he attended high school in Singapore, university in Sydney, and now works in Berlin. He can also speak five languages.

Jacky made the decision to move to Sydney to study a Bachelor of International and Global Studies and Bachelor of Laws, before completing a Master of Management (CEMS), which he says “offered an international outlook unparalleled in Australia”.

Since graduating, he has worked in many fields and roles, including being an intern at the office of the United Nations High Commissioner for Refugees (UNHCR), a lawyer for the Supreme Court of NSW, a registered practitioner at the High Court of Australia, and working with a start-up, before securing his current role of strategy and internationalisation analyst at solarisBank AG, based in Berlin, Germany.

“I wanted an international career and degree that would boost my competitive advantage,” he says. “The Master of Management (CEMS) at the University of Sydney Business School offered this. I have also been able to find my niche in strategy and internationalisation.”

Anita Mitchell
Master of Business Administration, 2015
Head of Sustainability – Europe, Lendlease

With more than 20 years of experience in environmental management in the energy, water, waste, property and construction sectors, Anita Mitchell is recognised as one of Australia’s most experienced sustainability specialists. Trained as a scientist and technical expert, Anita decided to undertake an MBA at the University of Sydney to gain the practical experience and skills she needed to work as a broader business leader.

In July 2016, Anita moved to London to take up the role of Head of Sustainability – Europe, for Lendlease. Prior to this, she was responsible for leading the environmental and social sustainability strategy for Lendlease’s $6 billion Barangaroo South development. This waterfront urban renewal project was the largest project in Sydney since the 2000 Olympics and has contractual commitments to deliver world’s best practice sustainability outcomes.

“There’s a lot of learning about yourself in the MBA program – as much as it is about the technical content,” she says. “Learning about yourself as a leader, adapting your behaviour and being able to put that in the safe learning environment of the MBA is really important as well. The MBA was very good getting people out of their comfort zone and it was the opportunity to work across different disciplines that has given me more confidence to take on broader business responsibilities.”
Global Food Security Adviser, 2022

Kelly McJannett

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