Sustainability: From Surviving To Thriving

By Ioannis Ioannou, Assistant Professor, Strategy and Entrepreneurship, London Business School

It is hard for any business leader today to ignore sustainability.

Indeed, the latest UN Global Compact–Accenture CEO study found that 97% of the 1,000 CEOs interviewed across 103 countries and 27 industries see sustainability as important to the future success of their business. Moreover, 78% see sustainability as an opportunity for growth and innovation. Notably, 84% of the CEOs believe that business should lead efforts to define and deliver sustainable development goals, and 79% of them see sustainability as a route to competitive advantage in their industry.

Effective and responsible leaders are those who are able to integrate sustainability throughout all aspects of their business and their strategy. In previous decades we mostly focused on leaders who were exceptionally good at managing within the economic context. Now we need leaders who can also thrive within the social and environmental context in which their businesses operate. The two are in fact intrinsically interdependent and building an integrated business model is the way to establish a truly sustainable competitive advantage in the long term.

This is where leading business schools can play a critical role. We need to develop leaders capable of thinking beyond the short-term economic objectives and ambitious enough to take on the world’s biggest challenges such as climate change, extreme poverty and income inequality. We need to teach them how to synergistically manage the social and environmental contexts in
combination with the economic one and how to value, understand and be accountable for, their businesses' financial as well as non-financial performance.

The truth is this is still unchartered territory. As academics, we are only now beginning to understand how businesses become sustainable given that businesses themselves are still experimenting in terms of the strategies and initiatives that they are adopting.

While there isn't a comprehensive set of best practices that business schools can confidently prescribe, what we can do is to be actively involved in an exciting series of experiments and active learning with the business community, and its stakeholders. Sustainability has to be discovered. The role of business education therefore, for now, isn’t to teach best practice. It is rather to provide a structured understanding of the challenges, establish the parameters of possible solutions and accordingly drive curiosity, collaboration and adaptability.

Outside of business schools we know that we have collective obstacles to sustainability, such as our often-exclusive focus on the short term and on profitability. Profitability, of course, is not a bad thing, indeed it is a necessary condition. But it is not a sufficient condition. To overcome collective obstacles what we need is collective learning: conferences, collaborations and knowledge-sharing with peers and competitors inside and outside of, our own industries. Business Schools are uniquely placed to host these informed debates.

Yesterday at London Business School, we hosted His Royal Highness The Prince of Wales to discuss the role of leading business schools in promoting sustainability within the finance and accounting community.

The meeting, arranged by The Prince’s Accounting for Sustainability Project (A4S) and the Cambridge Institute for Sustainability Leadership (CISL), with support from London Business School, brought together Deans, Programme Directors, Heads of Finance and Accounting and leaders from the business and investment community. This is precisely the sort of collaboration we need to crack the big questions about how business can stop being perceived as part of the problem and instead, become part of the solution by contributing positively and effectively towards the resolution of the world's most serious challenges.

HRH The Prince of Wales, said: "Business
schools have a fundamentally important role to play in providing new thinking on accounting for social environmental issues.

“Business schools are rooted in academia and industry. Society looks to you to secure our future.”

It was an inspiring event. The participants highlighted the fundamental role that business and business education needs to play in a move to a more sustainable future. Inter-disciplinary and ambitious research by academics in close collaboration with leading businesses was also identified as a key objective. Importantly, many of the discussions noted the urgent nature of the global challenges and the pressing need to accelerate our joint efforts towards pushing the boundaries of innovation and breakthrough thinking on issues of sustainability.

Educating responsible leaders, with a profound knowledge of business fundamentals as well as a deep understanding of the global environmental and social challenges, emerged as our joint understanding of the future role of business education.

Indeed, our students are increasingly interested in these issues and seek to work for businesses whose values and vision are aligned with their own. This is apparent not just through daily interactions with them in the classroom, input on business, society and government, case studies and talks from prominent leaders with a strong sustainability record, but also through the numerous student-led activities that are being organised.

Our Net Impact Club is one of the fastest growing student clubs in recent years. To date, the club has organised three annual sustainability conferences, where we welcome senior business leaders to discuss sustainability issues in depth. This year’s event, the Society.Economy.Environment Summit, focuses on the future of sustainable business. London Business School students are also engaging with issues of sustainability and social responsibility through other student-led clubs and initiatives such as the Energy Club, which organises very successful annual events including the Global Energy Summit, and the Clean Tech Challenge. Moreover, the School has partnered with the Global Social Venture Competition, which our students take part in.

Through these activities we encourage our students to understand that training managers is only one piece, albeit an important one, of a
much bigger transformational change that needs to take place. What’s involved here is a broader cultural shift and a change to the very identity of the modern business organisation, and a fundamental redefinition of its role within society.

Where companies are making great strides in sustainability you will see this not only in their management training but also in their corporate governance and in the types of incentives which motivate executives to move beyond financial outputs. The successful sustainable company will have a board that oversees the company’s sustainability commitments and structured processes to engage with stakeholders and that imaginative spirit of experimentation and collaboration, transparency and accountability, which are so crucial if sustainability is to thrive, not just survive.

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