

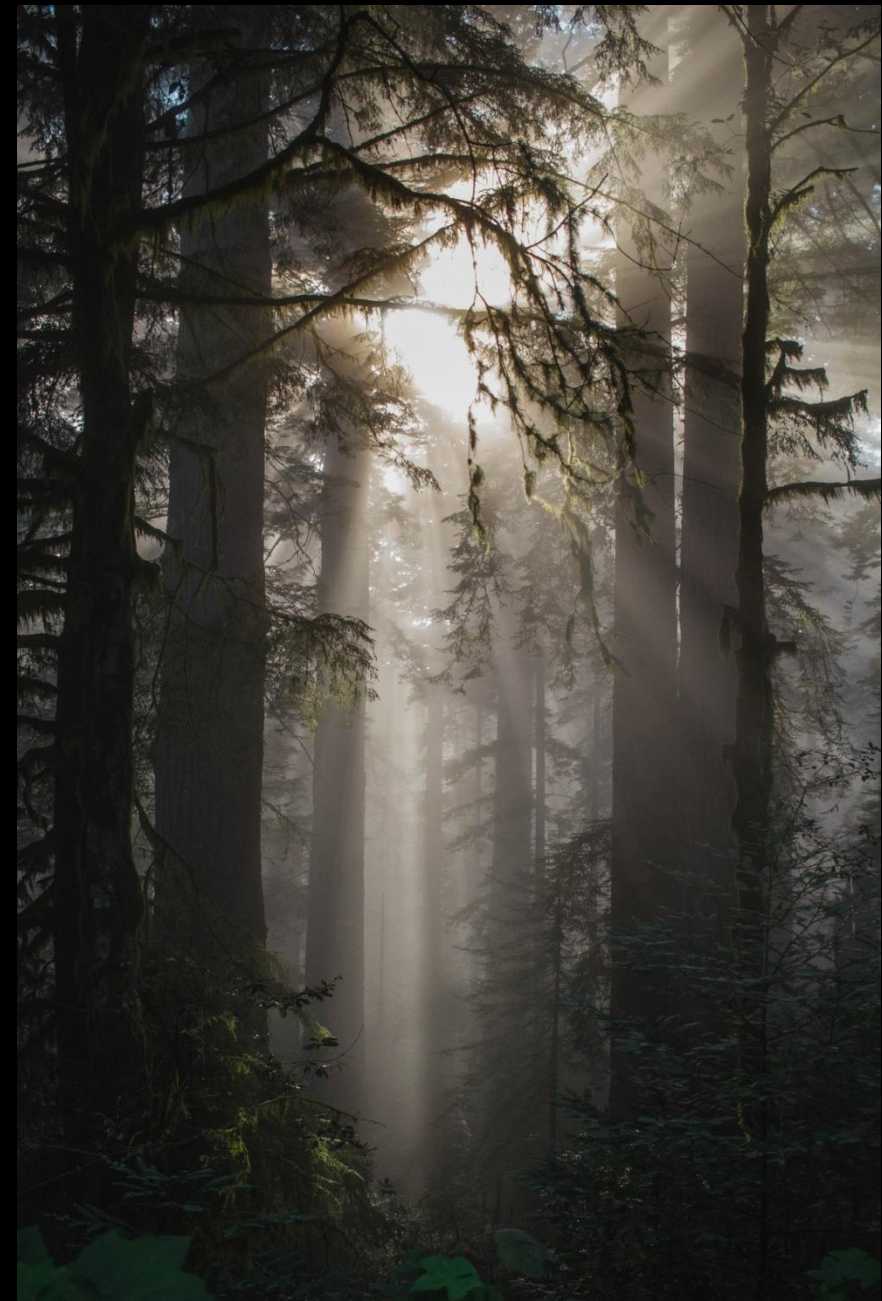
Managing Sustainability Programs in Business Schools

Blake Phillips, PhD
Director



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Managing Sustainability in Business Schools

Change Management

- Motivation
- Program Design
- Program Transformation



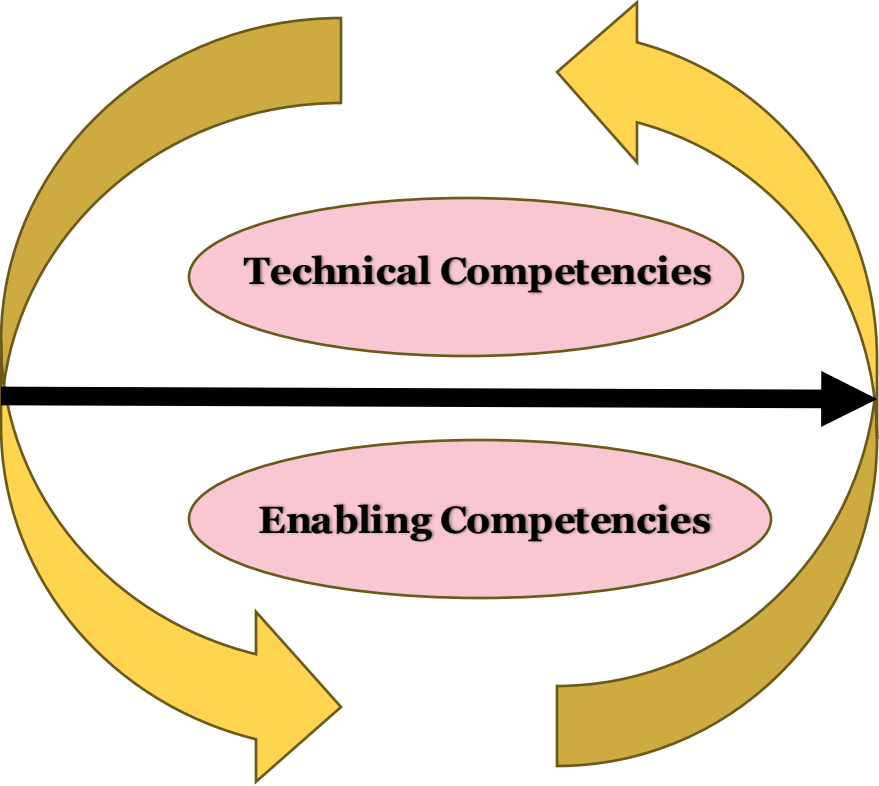
Motivation



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Program Design / Transformation – Reverse Engineering

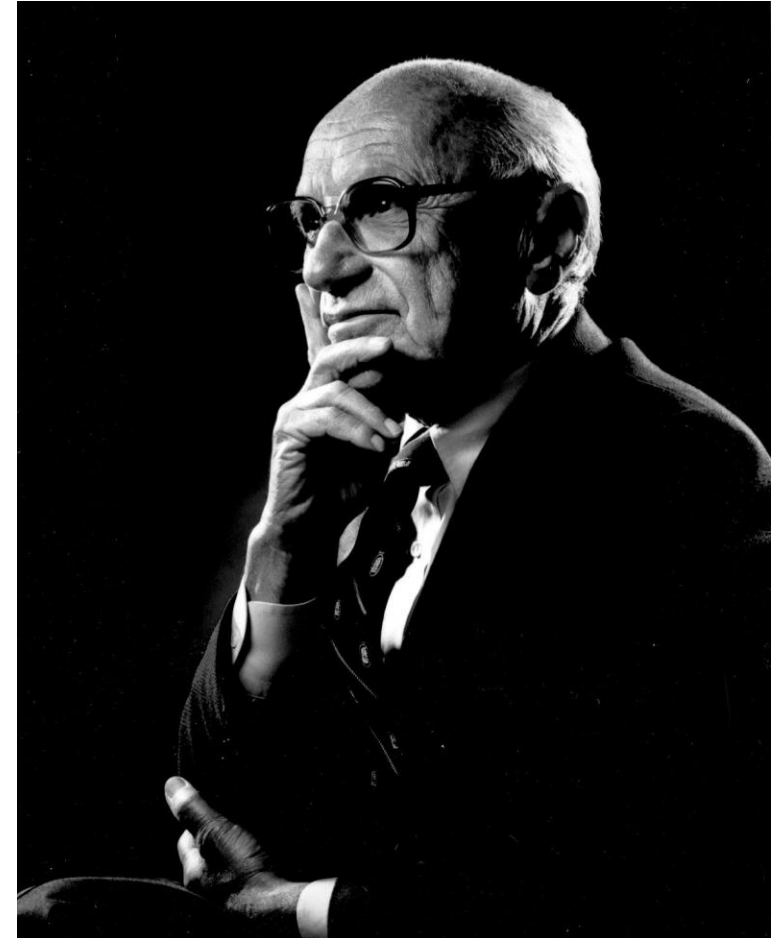


The Purpose of the Corporation

Milton Freidman

1976 Nobel Laureate

*“In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, **which generally will be to make as much money as possible** while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom.”¹*



The Purpose of the Corporation

- The flaw in this argument is the assumption that governments will effectively recognize and implement rules of society which capture all the impacts of corporate activity
- Policies, laws and taxes would be needed to internalize externalities, such as the cost of pollution, the impacts of carbon emissions or the social impacts of corporate activity
- Even if individual governments had the will and the ability, they are constrained by country boundaries, when many externalities easily travel across borders, for example, a product may be produced in one country but disposal at end of life occurs in another

The Purpose of the Corporation - Redefined

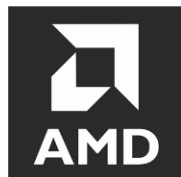
- In 2019, the [Businesses Roundtable](#) announced a new [Statement of Purpose](#) of the corporation:



WHILE EACH OF OUR INDIVIDUAL COMPANIES SERVES ITS OWN CORPORATE PURPOSE, WE SHARE A FUNDAMENTAL COMMITMENT TO ALL OF OUR STAKEHOLDERS. **WE COMMIT TO:**

- ▶ **DELIVERING VALUE TO OUR CUSTOMERS.** We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- ▶ **INVESTING IN OUR EMPLOYEES.** This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- ▶ **DEALING FAIRLY AND ETHICALLY WITH OUR SUPPLIERS.** We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- ▶ **SUPPORTING THE COMMUNITIES IN WHICH WE WORK.** We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- ▶ **GENERATING LONG-TERM VALUE FOR SHAREHOLDERS, WHO PROVIDE THE CAPITAL THAT ALLOWS COMPANIES TO INVEST, GROW AND INNOVATE.** We are committed to transparency and effective engagement with shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.



Stakeholder Perspectives



ESG

Environmental



Climate change

Water

Waste and pollution

Biodiversity

Social



Health and safety

Labour standards
(including in the supply chain)

Human rights
and community impacts

Demographics/consumption

Governance



Board structure,
diversity and independence

Remuneration that is
aligned with performance

Accounting and
audit quality

Anti-bribery and corruption

Risks of Ignoring Stakeholders



Larry Fink, Letter to CEOs 2022

Most stakeholders – from shareholders, to employees, to customers, to communities, and regulators – now expect companies to play a role in decarbonizing the global economy. Few things will impact capital allocation decisions more than how effectively you navigate the global energy transition in the years ahead.

Every company and every industry will be transformed by the transition to a net zero world. The question is, will you lead, or will you be led?

Stakeholders: Drivers of Change

Sources of increasing pressure for reporting and transparency around ESG issues



Source: 2022 KPMG CEO Outlook

Responding to Disruption : Sustainability



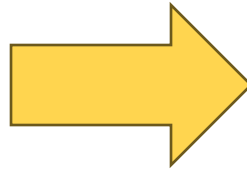
Responding to Disruption : Sustainability



Fundamental Transformation

- Companies around the world are undergoing a fundamental transformation
- Gone are the days where corporate success was defined solely by profit/loss and cash flow statements
- Success is being redefined more holistically, where the social contributions of the firm and its interactions with its natural environment are as fundamental to success as fiscal outcomes

Responding to Disruption : Sustainability



“ACCOUNTANTS WILL SAVE THE WORLD”



“Accountants will Save the World”

Peter Bakker

President and CEO,
World Business Council For Sustainable
Development

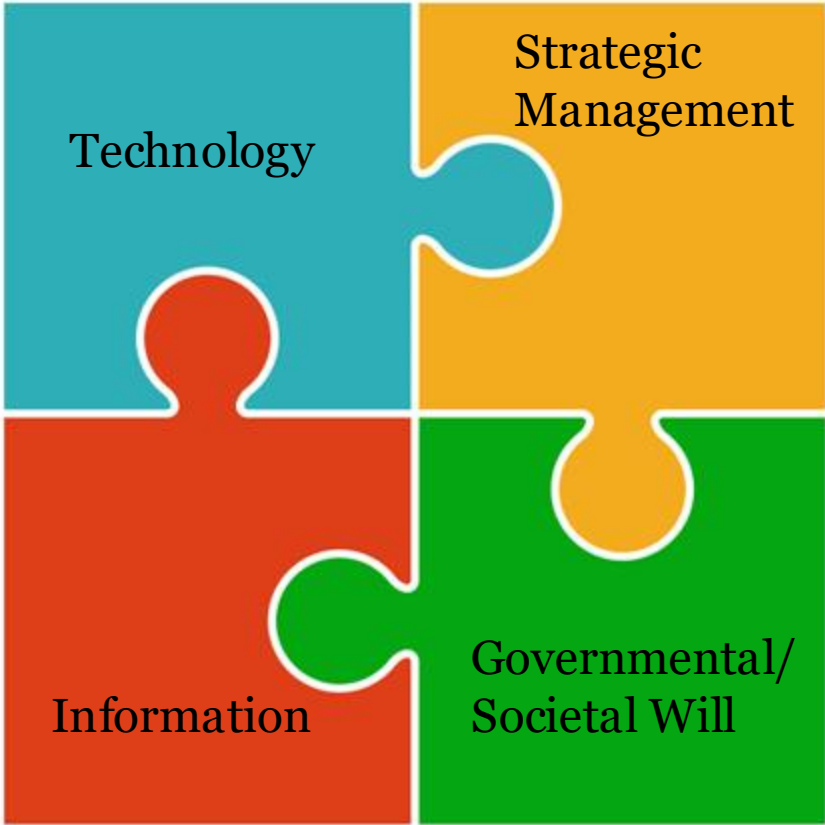
Real change will come from reconfiguring
millions of decisions made by managers in
business, NGOs and the public sector on a daily
basis



RIO+20
United Nations
Conference on
Sustainable
Development



Necessary components



The Role of CPAs and Management Professionals

- CPAs need to fill two critical roles for the SDGs to be met:
 1. Timely, comparable, verifiable, understandable and material reporting and assurance
 2. Integrated Strategic Management
- The fundamental decision-making framework of the firm needs to be recast to consider financial, social and natural systems simultaneously in an integrated approach
- How performance / success is defined and measured must accordingly be recast to reflect these joint strategic imperatives

Program Design



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Foundational Principles

1. Sustainability impacts all disciplines of business and its subdisciplines, it can't be taught in isolation and is not a discipline unto itself
2. **E**, **S** and **G** do not exist in isolation, they interact and impact each other often requiring trade-offs, they can't be taught in isolation
3. Accountants and Management Professionals are not going to become discipline experts in all fields related to ESG, they will be interacting with a broad set of professionals from other disciplines
4. Accountants and Management Professionals should be lead agents for change, guiding the transformation of the firm's strategic decision making

Integrated Decision Making

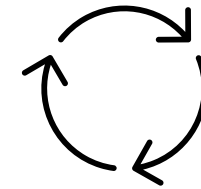


Financial Risk
& Opportunity

Impacts

Financial Risk
& Opportunity

Natural Systems



Social Systems

Bachelor of Sustainability and Financial Management (SFM)

- New grade 12 entry program, first graduating class in 2025
- Target intake 80 students
- Mix of courses from Accounting and Financial Management Program, the Environment and Business Program in the Faculty of Environment and new courses exclusive to SFM students
- Common first 2 years
- Student select from 3 possible specializations in the last 2 years
 1. Corporate Sustainability (CPA)
 2. Government Policy and Financial Markets (CFA)
 3. Indigenous Entrepreneurship

SFM – Years 1 and 2

1A	1B	2A	2B
Fall	Winter	Fall	Spring
Foundations for Financial Reporting AFM 191	Foundations for Management Accounting AFM 182	Field Ecology ENVS 200	Intermediate Financial Accounting 1 AFM 291
Intro. to Sustainability and Financial Management SFM 101	Principles of Economics For Sustainability II ENBUS 104	Fin Serv AFM 205 Intro Assurance AFM 208	Business Law AFM 231
Principles of Economics For Sustainability I ENBUS 103	Intro to Global Financial Markets AFM 121	Climate Change Fundamentals GEOG 207	Social Issues in Sustainability SFM 201
Professional Pathways and Problem Solving AFM 111	Sustainability ENVS 195	Financial Instruments and Capital Markets AFM 273	Intro to Corporate Finance AFM 274
Analytic Methods for Business 1 AFM 112	Analytic Methods for Business 2 AFM 113	Systems Thinking SFM 205	Analytic Methods for Business 3 AFM 244

SFM – Years 3 and 4 – Corporate Sustainability Specialization

3A	3B	4A	4B
Fall or Winter	Spring	Spring	Fall
Personal Financial Planning AFM 321	Environment and Business Ethics SFM 309	Natural Capital Accounting SFM 402	Taxation 2 AFM 462
Cases in Corp Fin. AFM 373	Intermediate Financial Accounting 2 AFM 391	Audit Strategy AFM 451	Performance Measurement AFM 482
Accounting Information Systems AFM 341	Taxation 1 AFM 362	Social and Human Capital Accounting SFM 401	Integrated Environmental Planning, Reporting, and Risk Management SFM 403
Cost Management Systems AFM 382	Elective	Elective	Adv. Financial Accounting AFM 491
Business Analytics Applications AFM 344	Enterprise Carbon Accounting SFM 301	Business Strategy AFM 433 or Strategies for Environment ENBUS 302	Elective

Program Transformation



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Transformation in the Accounting and Financial Management Program

- Significant of time spent socializing and motivating the need for change
- Waited until critical mass was on board
- Introduced required Sustainability and Business course in 2A term
- Formed a Sustainability Integration Taskforce with across discipline representation, fundamental part of governance structure and strategic plan
- Taskforce focuses on integration of sustainability across the program based on a jointly develop competency map
- Key ingredients are broad buy in, top-down support, openness to team teaching where needed and recognition that no one “owns” a course

Questions and Discussion



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