

Green Business, Green Values, and Sustainability

**Edited by Christos N. Pitelis,
Jack Keenan and Vicky Pryce**

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1 CIBAM and the Symposium on “Green Business and Green Values”

Christos N. Pitelis

INTRODUCTION

The aim of this chapter is to introduce the reader to the nature and philosophy of the Center for International Business & Management (CIBAM) and zero in on one of its major functions, the Symposium, in particular the one in February 2009 on “Green Business and Green Values.” In addition, we summarize the main points made at the introductory talk by the Director of CIBAM (the present author). A short summary of all the proceedings, to include some of the discussion, appears after the introduction—signed by a group of Cambridge MBAs who attended the Symposium and co-authored the report. Here, I will only refer to the topics covered, the authors and rationale, as well as to the articles included in this book.

CIBAM AND THE CIBAM GLOBAL BUSINESS SYMPOSIA

CIBAM’s Identity and History

CIBAM is a research center established in 1995 within the Judge Business School, at the University of Cambridge. It is the oldest such center. It was co-founded by Professor John Child and the present author, with John Child serving as the first Founding Director, from 1995 to 1997. The present author, who was then Associate Director, took over as a Director of CIBAM in 1997. Noreena Hertz was appointed Associate Director. An inaugural meeting-mini conference took place to mark this in July 1997 at St. John’s College, Cambridge, attended by friends—academics and business leaders, the last mentioned invited to join as advisory board members. Founding Board Members included Sir Martin Sorrell, CEO WPP; Mr. Jack Keenan, then CEO of the United Distillers and Vintners; Mr. Manfred Tuerks, Managing Director, AT Kearney, Automotives; and Marc Verstringhe, then CEO of Catering and Allied.

Following presentations by some academics on issues they felt might interest the business people present, the discussion zeroed in on what should

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be the nature, philosophy and function of CIBAM, to include the interactions and divisions of tasks between the academics and business people.

The role of research centers within business schools is not as easy to determine as in some other schools, for example mathematics or engineering. The aim of the theoretical mathematician, for example, is to come up with fundamental research output that may or may not be of commercial relevance. In an engineering or physics department, on the other hand, research to output is normally expected to have clear, discernible commercial applications. Business schools stand somewhere in between. The research output of a business school is normally expected to be simultaneously rigorous and with clear implications to managerial practice, albeit without necessary commercial applications. It is, so to speak, high-brow potential prescription. Clearly the above description does not apply to all business schools, or the other types of schools mentioned, but this is a usual expectation.

When originally conceived by John Child as a Center for International Management, the intention was to focus on research issues pertaining to the management of international business, particularly multinational enterprises (MNEs), what we call in academic circles International Management (IM). John Child, who moved to Birmingham University in 1997, is a global leader in this field. IM deals with issues pertaining to the “insides” of MNEs, for example their internal organizational structure; the link between structure, strategy and performance, the way through which MNEs can leverage the skills of their subsidiaries, the role of autonomy versus control of subsidiaries; how MNEs can deal with issues of organizational coordination and communication, whether and how to adapt to local taste in “host” countries, or to aim for cost reductions through integration. Issues of culture and inter-cultural management are critical in this context, as they are the particularities of IM in emerging markets, such as China, East Asia, Russia, India, Brazil and now Africa. Some of the founding academic members of CIBAM, notably Noreena Hertz, Malcolm Warner and Charles Hampden-Turner, had unique knowledge and competence on these issues, rendering these a natural original focus of CIBAM’s research.

Another aspect of International Business (IB) scholarship, as for example practiced by associations such as the Academy of International Business (AIB), and its European, regional and national counterparts, for example the European International Business Association (EIBA), focus also on the issues pertaining to the nature, objectives, growth, boundaries and strategies of MNEs and the impact of the above on MNE performance. Focal issues here include the choice of modality by MNEs (e.g., foreign direct investment versus licencing/franchising, and inter-firm cooperation, such as joint ventures and strategic alliances); how being an MNE can help firms capture value from their advantages (whether through efficiency, market power or a combination); the interactions between MNEs, regions and nations; the competitiveness of firms, regions and nations; government

policies toward MNEs, to include trade, foreign direct investment (FDI), and cluster and other microeconomic and macroeconomic policies that can have an impact on MNE decisions. These aspects of IB are based more on business economics and international political economy (IPE) foundations. They are closely linked to IM concerns (e.g., a badly implemented entry through FDI will lead to failure, even if FDI was the best entry modality theoretically), and they also involve their special considerations. These aspects of IB were the research focus of the present author, who moreover was working at that time on the supply-side (industrial) and catching-up strategies of East Asian countries, such as Japan and the Four Tigers (Hong Kong, Singapore, Korea, Taiwan)—including their attributes and policies towards FDI and MNEs—and compared them to Western policies, and those of the emerging Central and Eastern European “transition” economies. Noreena Hertz, too, was working on international competitiveness issues, in general and particularly in Russia, where she had done work with Michael Porter. Peter Nolan, a founding academic member, was carrying out research on the “global business revolution” in general, and with particular reference to China, on which he is one of the leading Western experts.

The complementarities, both conceptual and regional, were far too obvious for John Child to miss, and following a discussion with the present author the two agreed to create a center with a BA between the CI and the M—leading to CIBAM. The research focus of the center, as a natural result would be:

- The nature, growth, boundaries and strategies of MNEs, to include entry modalities, such as FDI, franchising and joint ventures;
- The competitiveness of firms, regions and nations and government policies toward FDI and MNEs;
- The management of MNEs to include inter-cultural management issues;
- The particularities and comparative analysis of emerging economies, notably China, East Asia, Russia, Central and Eastern Europe vis-à-vis mainly IM, but also IB-related concerns.

Identifying the focus, joint interests and complementarities, and aiming to undertake collaborative research, and research-related activities by building critical mass, is by itself an important enough reason to set up and maintain a research center within a business school—provided the quality of the people and their research interests and focus are sufficiently rigorous and business relevant. But CIBAM was faced with a more specific challenge. At the inaugural meeting in St John’s and after having attended my presentation, Sir Martin simply asked, “and what is in it for me?” This led to the appreciation that *thinking one is doing business-relevant research is not enough; research needs to also be perceived as relevant by business.* One

way to do this is by developing tools (such as Michael Porter's five-forces model) which distill the essence of academic research but target it specifically to business policy makers. This involves elements of both research and consulting. However, it does remain at arm's length, so to speak. The academic does the work, and he or she teaches it to, or consults, the business.

While there is nothing wrong with the above, and members of CIBAM certainly do this too, there was and still is debate in business school circles of the need for deeper interaction between business and academia, with each party contributing where they possess comparative advantage and each getting what they need from this collaboration. Starting from the objectives, both business and academics (as well as firms and indeed regions and nations) share one objective in common: to capture value out of their perceived to be value creating and appropriable advantages. What differs is not so much the generic objective, but the metrics—what is being measured. Businesses focus on the bottom line (profit), hopefully subject to this being sustainable for them and the wider community, and they have subsidiary interests on philosophical-academic issues and research, usually to the extent it helps them leverage it for commercial purposes. Academics in business schools aim for maximum impact through rigorous and relevant top-quality research, published in scholarly journals, subject to making a good living out of this activity, in terms of salary and consulting. Wider, societal concerns are often (albeit not always, or perhaps as much as they should) part and parcel of business school research: for example current debates on Corporate Social Responsibility (CSR) and Business Ethics.

One way through which the mutual interests of both parties can be satisfied is by convening high-level events (call them colloquia, symposia, conferences) where the two parties physically meet and exchange ideas on a theme of business relevance. This is not consulting per se; it is not business-funded research either. Instead, it is a genuine two-way street in which both parties give and take. Academics give state-of-the-art knowledge and rigor. Business provides topicality, immediacy, and foresight. As regards business-relevant research, for example, it is difficult for an academic to be aware of current and emerging (especially immediate) concerns of business. In this context, business academics can get inside knowledge and insight on what are also likely business concerns of the present and near future. For example, at a time when for the present author, declining (but still at around 7%) unemployment seemed to be an economic concern, Sir Martin Sorrell suggested that "talent wars" (the attempt by business to acquire talent) was the critical issue for his business. That led to the fourth (July 2001) symposium, "Talent Wars . . . Why and How to Compete."

In addition to possessing more time for research, academics also possess conceptual frameworks that can serve as a lens through which one can analyze, propose solutions and even attempt to predict longer-term trends. Now business academics and economists are notoriously bad of predicting anything in particular with much success, but there are various cases

where a decent conceptual framework afforded impressive predictions. An example is the father figure of IB, Stephen Hymer, who, back in the early 1970s, predicted the far more recent trend toward outsourcing (see Cohen et al., 1979), by analyzing the respective disadvantages of integration versus outsourcing and proposing that firms would gradually aim to keep the advantages of both, by removing the disadvantages of outsourcing (the lack of control) by developing brands and maintaining the control of “intangibles” and some tangibles (e.g., the Coca-Cola secret recipe). There are more such examples suggesting that business academics too can be of further value to business.

Ideas such as the above led to the adoption of the Forum; initially named Colloquium, it was subsequently renamed as Symposium (from Plato’s homonymous book) to reflect the fact that the meetings involved not just the interactions of ideas but also the consumption of food and drink, which is far closer to the etymology of the “Symposium” (literally drinking together, from *syn* = “together” and *pinein* = “drinking”!). Indeed, there has been lots of drinking and eating since.

Based on the idea that businesses know better what they need to know (an almost tautological statement, yet not necessarily always true, especially on longer-term sustainability-related issues), the decision was for the global advisory board to determine at a board meeting the topics of the Symposia. The result was a resounding success and also rather surprising. It was surprising because some of the issues selected (e.g., “Ageing” or “Religion”) did not quite strike, originally at least, as being too business-related—rather they looked quite academic, not at least to this author. A resounding success, not least because almost invariably the topics were selected well before (often up to two years) the Symposium, the topics became headline news at just about Symposium time. The Global Financial Crisis Symposium in February 2008 could not be a better example. When the topic was proposed by CIBAM board member Jonathan Garner (managing director, Morgan Stanley), the only interest anyone had on financial markets was how to make more money out of the relentless and apparently endless rally of stocks and house prices. Jonathan instead was seeing clouds—a bear, I thought, albeit he did not appear like one. Two years later, the crisis almost coincided with the Symposium; it was hard to find speakers as some were losing, or moving, jobs; and there was some excitement, concern and, dare I say, panic. Now, economists should be able to predict this (the conceptual lens is definitely there), but few dared—perhaps it is the fear of reputational loss. Jonathan did. This almost spooky predictive capability of the board became a major reason for the success of the events. Others include the venue, the format, the participants—in short the “business model and the “value proposition.”

Much of the above is an evolutionary, learning, trial-and-error process. The first few meetings were one-day events, but soon we moved to a two-day event involving one night stay in Cambridge, starting Friday afternoon

and ending Saturday evening with the board meeting. From 2005 we decided to move it to start Thursday evening and finish Friday evening—all in 24 hours, from 5:00 p.m. on Thursday to 5:00 p.m. on Friday, followed by the board meeting.

Concerning the format, early events involved few (four or five) stand-up talks, mainly by academics followed by some questions—admittedly a rather tedious experience for people traveling from abroad for the purpose. Through a continuous process of learning and (mostly) improvement, the final product involves as many as 15 to 20 speakers, panelists, chairs and discussants, over the 24 hours. There are now panels, as well as stand-up lectures. Speakers are allowed to talk for around half of their allocated time (40 minutes for stand-up speakers, 10 to 15 minutes per panelist), followed by very intensive and often heated debate.

Speakers involve a mix of around 50–70% business people and practitioners (normally however with impressive academic credentials), around 30% academics and up to 20% policymakers or students, normally chosen from the current Cambridge MBA class and some MBA alumni. All these are carefully selected from a much wider link of potential speakers, created mainly through the Network (the CIBAM members and friends) but also through in-house research.

As the critical element of success is the dialogue and the exchange of ideas, the number of participants is capped to a maximum of between 55 and 70, the usual number. From these around 30 are business people, 15 to 20 are academics, and up to 15 are MBA students and guests. The MBA students are selected on the basis of background and interest in the topic, and they are asked to help produce a report from the proceedings, such as the one that follows this introduction.

In the early days the venue was a Cambridge College—preferably a different one each time. Following the completion of the new Judge Business School building, the Thursday part takes place in a College and the Friday, at the Judge. On Thursday evening there is a gala dinner at the College—usually in one of the Grand Old Halls. Gradually there emerged the institution of informal drinks at the lobby bar of a Cambridge hotel by the river. This turned out to involve lots of it, I am afraid some times up to 5:00 a.m. (with the Symposium recommencing at 9:00 a.m., usually preceded by breakfast at the hotel, at around 8!) In the bad old days, there was also a fair amount of cigars, but this is now regarded as a terrorist act (at least indoors)!

In addition to the Symposium, we gradually developed the CIBAM Distinguished Lecture series, usually once a year, lately combined with a panel. The initial effort was to have this delivered by women, as a means of leveling the playing field, and mainly because so many excellent ones can sometimes be bypassed by equally deserving men. Noreena Hertz (2001), Vicky Pryce (2002), and Dame Sandra Dawson (2004) gave some of the early lectures. Gradually, we gave in to bringing in men (mostly for expediency

and the provision of more choice). David Teece (2006), Pankaj Ghemawat (2007), former Prime Minister of Greece Costas Simitis (2008) and Alain Verbeke (2009) gave these lectures. These are now also on a Thursday evening and are followed by the usual gala dinner in a Cambridge College—and the “informal drinks,” too (but thankfully with more than a three-hour sleep time before Friday morning!).

The Cambridge-base of the Symposia (in effect the contribution of the ingredients described above) proved a successful one. Attempts to move out (e.g., an event took place at the WPP headquarters in London, hosted by Sir Martin Sorrell) were not quite the same. On the other hand, the Symposium on Southeastern Europe in Athens (2009) was a remarkable success. So it is not easy to generalize. We often debate about this, not least, for example, as to why some extremely busy people will almost invariably make time to come from places such as the United States, Russia and Taiwan. It would appear that the Cambridge experience (being cut off, away from it all), the concentrated intensive knowledge exchange over the 24 hours, and, of course, meeting up with old friends and a possible weekend break, all contribute. Whatever it is, it seems to work.

This is also evidenced by many requests for knowledge transfer both within Cambridge and internationally. For example, a variant of the Symposium format was tried in St. Petersburg, where the author was visiting in 2007; the CIBAM model was also used at the Center for International Business and Innovation (CIBI) in Copenhagen Business School, with the present author, as one of the two keynote speakers, discussing the CIBAM experience.

Other CIBAM events include an internal seminar series at the Judge. Other activities involve mainly selected research projects.

Research output has been of three main types. One is the CIBAM members' own research, which benefits from the interaction with the business community by getting some inside knowledge as to what currently matters for business. The present author, for example, regularly to issues or ideas discussed at the Symposia in his papers. A second type involves CIBAM-sponsored books and case studies; examples are the book detailing the history of Catering and Allied and the case study on the Advanced Management Program International (AMPI), which was the first attempt to transfer to the UK the Harvard experience, led by Harvard Professor Harry Hansen. As a result the subsequently created Harry Hansen Trust decided to continue its activities in collaboration with CIBAM. A third type of output involves the proceedings of the events. These are published as a CIBAM book (such as the present one), in journals and, when possible, as special issue of journals. Such special issues included in the past *Business Ethics*, *Corporate Governance* and *Global Business and Economics Review*. The present book is another example. Other papers from Symposia presentations have been published in journals such as *Contributions to Political Economy*. Collaborations, between CIBAM members resulted in

publications in the *Journal of International Business Studies* (see Dunning and Pitelis, 2008) and *Organization Science* (see Mahoney et al., 2009). Particularly striking has been the success of the Corporate Governance special issue. The model (to include academic articles and articles by business leaders, NGOs and activists) was a major success. A number of the ten most cited articles from the journal were for some time from this special issue, the one by Jack Keenan (CIBAM patron) was the second most cited article. The article itself was a short account of Jack's own personal experience from boardrooms. Nothing very academic at all—it looks like there is a need for more of that in business scholarship.

Membership

An organization is as good as its members. At CIBAM we have been privileged. Cambridge is an attractive place, with special people. This helps attract more special people. Over time we were privileged to create a network of business leaders, academics and some policymakers, all of the highest standing. Membership (and its type), much like everything else, evolved. We started with a few intra-Judge academics and founding board business members. At the time of writing this, there are four major categories: global advisory board members, business associates, academic advisory board members and Cambridge-based academics. The management mainly includes the present author, the associate director, one research assistant and one administrative assistant. Others, like our external liaisons person (M. Vintiadis) and our academic advisory board, help and advise, as much as they are able to, given the non-stipendary nature of the positions.

Critical for CIBAM's progress has been its first expansion phase that took place in 1998–2000. That was mostly the result of the effort of CIBAM's associate director Noreena Hertz. Noreena undertook the task to prepare a value proposition, select possible board members, approach them and invite them to apply to join the board. That led to some remarkable additions to our board, such as Len Blavatnik, Jean-Michel Broun, Tommy Helsby, Andrew Morgan and Vicky Pryce. For reasons to soon become clear, CIBAM as it is now, would not be without this effort. We owe a big thanks to Dame Sandra Dawson (then director of the Judge), who helped, by waiving Judge overheads and liaising with and helping Noreena.

The academic advisory board was intentionally left rather small, and quite exclusive. Currently it includes Peter Buckley, John Child and David Teece, all known enough not to require further comment. The academic associates include selected leading academics from other universities. The business associates are leading business people, albeit with less involvement on the decision-making process, an issue to which I return. At the moment overall membership exceeds 100 people, from many countries and continents, from all types of business and from many top academic institutions. The full list of current CIBAM members can be found in Appendix I of this introduction.

Drawing on the joint expertise of such a network for potential speakers and other Symposium participants is a blessing. Combined with the remarkable foresight of our board, that selects the Symposia topics, we were privileged to deal with issues such as "Russia 2008—Putin's Legacy to his Successor" (back in 2004!). The issues of ethics, talent wars, ageing, environmental sustainability, corporate governance, religion, media, and security, terrorism and business were all remarkably topical and exciting events. Just indicatively the event on media coincided with the publication of cartoons offensive to the Islamic religion, the one on corporate governance was decided before, and took place soon after the Enron scandals. I find it hard to believe that this could have happened, were it not for the nose and instinct of those on the ground (the business people), who both sense such developments and have the high-power incentive to do something as they feel their impact on their bottom line—current and emerging. Quite often (but not always) the comments from the participants and the board were that "that was the best Symposium yet!"

In addition to selecting the topics, helping to propose and bring in speakers (usually in the form of an organizing committee of two or three who proposed the topic and had special knowledge of, and interest in, it), and getting involved themselves as speakers, panelists, chairs, or just a critical audience with astute questions, the function of the board at the board meetings is to provide feedback and suggestions for improvement—on the speakers, the format, the composition, the context, the venues, everything pertaining to the Symposium. Most important, however, is the strategic role—what we want to be; where are we heading; what we want to do next. These are not easy issues, and there is often heated debate. For example, a recurrent theme is whether we should remain an exclusive "boutique" or aim to expand, with an eye to possibly becoming a mini-Davos, but with a specific theme/focus for each meeting, as well on other different features such as more intimacy and perhaps a more "critical" focus in the sense of being cognisant of the need to deal with globalization's potentially negative "externalities."

Such debates help us sharpen our understanding of what we are, what we try to do and why. I believe that through an evolutionary process, there is now at least an implicit understanding of the idea that we aim to explore the interrelationship between practice, theory and policy, with an eye to prescribing better policy and practice, for business firms, but also governments and more widely (e.g., international organizations). In today's world the most critical issue is arguably how to achieve sustainability of the wealth creation process at the global scale. Sustainability is not just environmental, it is also social and economic; the three are related. Sustainability can be undermined by limited rationality, imperfect knowledge and information, different and potentially conflicting interests, embedded power structures, shortsightedness, time inconsistencies, and a lot more. All these apply to business firms, especially MNEs, but they also apply governments, regional blocks (e.g.,

EU) and international organizations (e.g., the IMF, World Bank, and WTO). There appears to be a pressing need to increase the specialist information available, to engender enlightened practices and policies, to align interests and to try to address problems of time inconsistencies, and other constraints, all with an eye to effect governance that favors sustainable global wealth creation. This is in everybody's interest.

Clearly a grand objective such as the above is rather pretentious to hope to achieve, and indeed even too romantic. We are not deluded, we simply feel that dialogue, mutual understanding, sharing of knowledge and learning, can help us improve things—not reach perfection (which is probably a Chimera), but build on strength, and improve weaknesses to get better. Certainly there are weaknesses to be improved. One of our global board members once asked the delegates to tell him what was, in their view, the difference between the “Mafia” and “Big Business.” Following a short silence, he continued that “the Mafia is organized crime, Big Business is very organized crime!” You need intimacy for such views to be aired by top business people themselves. Important, however, was that this joke was made not long before the Enron and similar scandals. Such scandals confirmed there was more to that joke than one might wish. It also showed that sometimes Big Business can also make mistakes, that policymakers now come to realize this, and that sometimes it is even not so easy to tell who is who and what is what. Unfortunately, things get far more tangled when it is recognized that (apart from being definitely less organized) big governments and big international organizations can be more of a problem than the solution, see Stiglitz (2002). Analyzing and debating frankly these issues can be an eye-opener, and help at least appreciate the enormity of what needs to be done, but also the need to keep trying. In our own little way, at CIBAM we are.

I purposely left the issue of funding until last. There has been much debate in the past 20 years or so about the importance of being self-funded, and certainly CIBAM is based on this model. In practice this means that the various CIBAM events and activities (which also include a bi-annual newsletter entitled *Gloquacious*, an Annual Report and a Profiles Book) are funded by the members. These cannot be the academics (who can hardly survive on notoriously low academic salaries), so it had to be the business members. Of course, it could well have been the government too, and also the university and/or the school. These are vexed issues; with the government we did not try enough due to the usual time pressures (although we were twice sponsored by the DTI and BERR, thanks to the efforts and support of Vicky Pryce), while to the university and the school, we pay overheads. Clearly, one can understand universities which help create so much wealth, but only manage to capture a tiny fraction of it, yet every case is different. I feel CIBAM and “products” such as the Symposium are “public goods” with external spillovers which are often very hard to quantify. In such cases, we know from our public economics, that non-excludability, non-revelation of preferences and free-riding are likely to lead to under-provision. This may explain why there are not many CIBAMs and that CIBAM itself is now at a crossroads.

CIBAM at a Crossroads

Throughout its existence CIBAM relied on an annual donation by its board members, to fund its activities. No CIBAM member receives payment for these, the funding covers the administrative and research support, as well as the cost of the Symposia and the other activities. Over the years the activities have increased by a multiple of at least 10. Funding could not follow for a combination of reasons that include increasing overheads by the university and the school, little practical recognition of the work put into Symposia by the school (indeed changes in rules which recognize almost all other “administrative tasks” but the Symposia); increasing “professionalization” of the various functions in the school, such as human resources and finance, which increase the costs of communication and coordination and can contribute to making things sometimes unyielding; the need to cover expenses for some eminent speakers (we normally relied on people paying themselves for the “honor,” which does not work with some professional speakers, who at the very least request, quite legitimately, their expenses) and others. All these led to a very small group of people (mainly the director) spending increasingly more time at no financial benefit and gradually at a large and increasing “opportunity cost,” in terms of foregone income (e.g., from executive education) and time (e.g., for research). All these require substantial additional funding, which in turn require time and other resources as well as additional support from within and without the university and the school. There has been progress in this direction under the inspired leadership of the Judge by Arnoud De Meyer. De Meyer embraced the concept of Centers and the Symposia and contributed to their success in various ways (e.g., by waving overheads and organizing joint events, such as the present one). Such help gives us optimism and keeps us walking!

THE SYMPOSIUM ON “GREEN BUSINESS AND GREEN VALUES”

This section provides a summary of the Symposium’s proceedings; it has been produced by Erik Lee, Zarko Maletin, Barclay Rogers, Igor Tumanov (MBA students 2008/2009, Judge Business School). The articles included in this volume elaborate on a selected number of the talks.

First Day—Thursday, 19 February 2009

Welcome Address

Dr. Christos Pitelis, CIBAM Director, welcomed the audience and noted that the Judge Business School (JBS) was celebrating its 20th year and recently ranked as the #3 business school in the United Kingdom by the *Financial Times*. He then introduced **Dr. Jochen Runde**, director of the