ENVIRONMENTAL SUSTAINABILITY AND VALUE CREATION

SYLLABUS FOR OPIM-762 (MBA CLASS)
SPRING 2014-Q3 (JANUARY-MARCH 2014)

CLASS: MONDAYS AND WEDNESDAYS,
3:00 TO 4:20 PM

Instructor:

Professor Erwann O. MICHEL-KERJAN
The Wharton School, OPIM Dept., Huntsman Hall, 5th Floor, Room 556
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Office hours: M, W – 4:30-5:30 (after class) or by appointment.

Format: Lectures, case studies, videos, class discussion, outside speakers (BlackRock and McKinsey).
This course is one of the electives satisfying the core requirement.

No final exam: Grades will be determined by class participation, writing assignments and a course team project.

Maximum capacity: 50 students. (While this is an MBA class, students from other schools at Penn are welcome to register.)
Course Description:

With the growing globalization of social and economic activities worldwide, environmentalism has become a fundamental component of the new business playing field (think not just “greening,” but climate, energy, water, toxins, food, health, land use, supply chains, new technologies, new services and financial products). A large range of companies, big and small, now out-compete their business rivals by implementing a robust environmental stewardship, engaging stakeholders (government bodies, NGOs, trade associations, citizens groups, universities) and by making these efforts both measurable and visible. Climate-related business challenges and opportunities are a perfect illustration of what has become a revolution in thinking. Still, other firms (and their managers and executives) are far behind because they lack a proper strategy to handle the new business era we have entered.

What you will learn in this course: This course is intended to familiarize students who are not necessarily environmental specialists with relevant facts and analyses on the recent environmentalism evolution. What is at stake? What are the key concepts? Who are the key interested parties? What does their agenda look like? Who is leading the way in reshaping business strategies as well as public policies? What tools are companies using to do better, not only sustaining the environment but also creating value? What are the lessons learned from successes and failures to integrate the environmental component, here and abroad? Also, why must those who want to “do good” need to develop a robust business model to achieve that goal, and how is this done? Finally, the current economic situation challenges good intentions and we will discuss how creating sustainable value is more important than ever. This is a very exciting time!

This course will allow students to:

1. Expand their awareness about the environment as an increasing part of the core business model and day-to-day operations of many organizations; better understand metrics used to measure progress and success;
2. Develop an environmental blueprint for action;
3. Learn more about new financial products being developed to tackle the climate adaptation challenge (e.g., weather derivatives; catastrophe bonds; carbon trading);
4. Think strategically and act entrepreneurially to create value;
5. Interact with practitioners who have been pioneers in this field.

A course project will enable students to work individually or in small groups on a concrete case study of their choice.
Course Grading

Short write-ups and case study assignment: 30%
Participation and attendance: 20%
Course project: 50%

Short write-up assignments (30%)

Opinion paper (10%) – There will be one short write-up assignment based on a question that will be shared with you as part of the homework. Each student will compose a 600-to-800 word opinion paper on a problem related to the course topics. This short paper is meant to challenge you on some fundamental aspects of environmentalism in the United States or any other country. In this opinion paper, you should be able to defend a strong point of view (in favor or against). As with any opinion paper, you must bring facts to your arguments, not only an ideal view of the world. Ask yourself: “Why might others have a different view? How can I convince them of my point of view? If I were employed in an organization, how would I convince my colleagues and/or higher levels of the organization?” If you propose a new concept, ask yourself: “What are the main limitations to its implementation?” Think of it as something that you might submit to the Financial Times, New York Times, International Herald Tribune, Wall Street Journal, Washington Post or to be posted on a popular blog (some of them might end up being published).

Case Study (20%) – One session will be devoted to discussion on a specific case study. There is one writing assignment based on this case.

Note: Unless otherwise specified, assignments are due at the beginning of class.

Participation and attendance (20%)

“Attendance” means being in the classroom when the instructor starts the class. “Participation” means participating in class discussions and small group exercises, making presentations in class, sharing relevant news items, and contributing to team projects. An important part of contributing to any endeavor is showing up prepared. Be ready to discuss assigned readings and cases. Each session of this class comprises about 8% of the content of the course, so every session is critical.
Course project (50%)

Your course project (team of five students) is deliverable as a research paper (10-12 pages) or a video (20 minutes maximum), along with its presentation to the class. Each team will have a choice between two types of project:

1) Identify a potential business opportunity (a new idea or a new version of an existing practice) to improve environmental sustainability.
Here, you have to ask yourself: “Is our idea really new? Why? Has there been any patent registered on that concept or product? Who would be the market, in which countries? How do we propose to develop this product? At what cost? What would we need to make it real?”

2) Analyze a company’s sustainability efforts and recommend how these can be improved.
The team will select a company and assess its environmental performance using the tools and concepts learned in the course. Only companies that publish annual environmental reports will be considered. You are free to contact the company directly to access more information, conduct interviews of decision makers, and seek other sources of information, such as on the Internet, through publicly available case studies, media analyses, academic publications, and financial sources, etc.

Note: Other creative project concepts can be proposed, as long as they are closely related to environmental sustainability and create value.

Deliverables:
Initial proposal (maximum 2 pages single-space) for the final project topic and abstract must be submitted in writing or via email for professor approval by Wednesday, January 29, 2014. Each team project will be presented orally during that session to receive feedback.

Final project must be submitted as a PDF document (10-12 pages) or video/audio file by Wednesday March 3, 2014. Only electronic submission is acceptable.
Files should be named: TeamProject_OPIM762_<lastname>_<firstname>.pdf.
e.g., TeamProject_OPIM762_MichelKerjan_Erwann.pdf, and contain on the first page the names and email addresses of all members of the team. If your submission is a podcast, this information should be clearly stated in your email.

Teams will present their research results in a formal presentation to the rest of the class on the last session of the course (March 5, 2014).
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<tr>
<th>Date (2014)</th>
<th>Topic</th>
<th>Reading</th>
<th>Due</th>
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<tr>
<td>Wed., Jan. 15</td>
<td>Environmental Strategy Today: Beyond Green, A Business Imperative to Be Competitive (I) Introduction &amp; course overview</td>
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<td>Mon., Jan. 20</td>
<td>No class - Martin Luther King, Jr. Day</td>
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<tr>
<td>Wed., Jan. 22</td>
<td>Environmental Strategy Today: Beyond Green, A Business Imperative to Be Competitive (II) Understanding who are the key drivers and how they impact the firm</td>
<td>(1); (2); (3)</td>
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<td>Mon., Jan. 27</td>
<td>Implementing a Sustainability Strategy within the Organization: (I) A Framework for Action</td>
<td>(4)-to-(7)</td>
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<tr>
<td>Wed., Jan. 29</td>
<td>Implementing a Sustainability Strategy within the Organization: (I) A Framework for Action (end); (II) Defining Key Performance &amp; Measurement Metrics</td>
<td>2-page proposal</td>
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<td>Mon., Feb. 3</td>
<td>Implementing a Sustainability Strategy within the Organization: (II) Defining Key Performance &amp; Measurement Metrics (end)</td>
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<td>Wed., Feb. 5</td>
<td>Application: The Case of Wal-Mart (case study) – “Meet the CEO” Class Exercise</td>
<td>(8)</td>
<td>Wal-Mart memo</td>
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<td>Mon., Feb. 10</td>
<td>Climate Change: What Do We Know and Don’t Know—and What Is At Stake?</td>
<td>(9)-to-(11)</td>
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<td>Mon., Feb. 17</td>
<td>Doing Good and Doing Well – Insights from BlackRock, the World Largest Asset Manager</td>
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<td>Wed., Feb. 19</td>
<td>Adaptation to Climate Change: Challenges and Opportunities in High-Income Countries</td>
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<td>Mon., Feb. 24</td>
<td>Adaptation to Climate Change: The Creation of New Products (weather derivatives, catastrophe bonds, index insurance, carbon trading…)</td>
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<td>Wed., Feb. 26</td>
<td>Helping Poor Countries Survive the Climate Challenge: Concrete Success Cases</td>
<td>(13)</td>
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<td>Mon., March 3</td>
<td>Last lecture – Course summary/take-away by the instructor</td>
<td>Final project</td>
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<td>Wed., March 5</td>
<td>Last session (2 hours): Presentation of team projects to the class</td>
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Reading list: All listed readings are required unless noted otherwise; others marked with an (*) are advanced readings and are optional.

The readings for the course are available in the course calendar section on Canvas @ https://wharton.instructure.com/courses/1220444

(9) Sir Nicolas Stern (2007), Stern Review: The Economics of Climate Change - Executive Summary.

Note: There is no textbook for this class: if you are interested, I can suggest several good books; just ask me.
Case study

The next two pages present a brief description of the case study that will be analyzed in class.

The case and assignment will be distributed in class 10 days before the due date.
Case Study: Wal-Mart's Sustainability Strategy

Authors of the case: Erica L. Plambeck and Lyn Denend

Company snapshot: Fortune 500 rank: 2; 2012 Revenues: $470 billion; Number of employees worldwide: 2.1 million

Context:

In October 2005, in an auditorium filled to capacity in Bentonville, Arkansas, Lee Scott, Wal-Mart’s president and CEO, made the first speech in the history of Wal-Mart to be broadcast to the company’s 1.6 million associates (employees) in all of its 6,000+ stores worldwide and shared with its 60,000+ suppliers. Scott announced that Wal-Mart was launching a sweeping business sustainability strategy to dramatically reduce the company’s impact on the global environment and thus become “the most competitive and innovative company in the world.” He argued that, “Being a good steward of the environment and being profitable are not mutually exclusive. They are one and the same.” He also committed Wal-Mart to three aspirational goals: “To be supplied 100 percent by renewable energy; to create zero waste; and to sell products that sustain our resources and the environment.”

Against this backdrop, the case introduces Andrew Ruben, vice president of corporate strategy and business sustainability, and Tyler Elm, senior director of the same group. Ruben and Elm, who were chosen by Scott to lead the sustainability strategy, recognized that they needed to keep environmental improvement tightly coupled with business value and profitability for the strategy to succeed.

The case describes Wal-Mart’s efforts to accomplish this, focusing on three of the company’s primary focus areas (seafood, electronics, and textiles) and their effect on the company’s operations, supplier relationships, and results. It also explores how Wal-Mart is measuring and communicating its ideas about sustainability to its suppliers, associates, customers, and the public.

Learning objectives:

To familiarize students with how Wal-Mart is opening up to external stakeholders (e.g., environmental nonprofits), measuring its environmental impacts, and giving its employees responsibility (as part of their daily work) for reducing those impacts in such a way that the company derives profit. To compare and contrast three of Wal-Mart's focus areas (called sustainable value networks) and understand the conditions required for this strategy to be effective (where, why, and how it is working best). To highlight the fact that 90% of the potential for environmental improvement exists within Wal-Mart's supply chain and understand how the company is working with suppliers to address these opportunities. To assess how the company is measuring environmental performance and using the results to communicate with and motivate associates, suppliers, customers, policy makers and the public.
The questions below should help you analyze this case.

1. What do you know about the company?
2. Does it have a history (successful or not) of efforts to address the new environmentalism? Does one of its competitors have such a history? If so, what is the likely impact on Wal-Mart?
3. What do you know about the environmental sustainability program?
   - When was it launched? By whom? Why?
   - What is the common goal? Growth path? Reputation? Risk management?
   - What is the timeline? Expected return on investment?
   - Who are the key drivers? Internal, external, markets, institutional, etc.? How do they cooperate? Role of captains and sustainable value networks.
5. How can we measure the success (or lack of) of this program?
   - What have been the successful networks? Why?
   - What have been the less successful networks? Why?
6. What do you think about Wal-Mart’s choice not to publicize its sustainability strategy?
7. What lessons can we draw from Wal-Mart’s example for another large corporation? What are the lessons for a small corporation that would not have such a complex operation, nor necessarily the resources to undertake such an effort?
Access to Canvas

The Canvas site for the course is available at: https://wharton.instructure.com/courses/1220444 (made available end of December 2013)

The readings for the course will be available on Canvas a few days in advance. Electronic versions of all presentation materials used in class will also be posted on Canvas after class.

A computing account is necessary to access Canvas.

Note to New or Non-Wharton Students Taking This Course:

In some cases, Wharton courses may be taken by students who are from other schools at Penn or who are new to the University. Consequently, not all students will initially have the Wharton computing account necessary to use Canvas. Students who are enrolled in the class but who do not yet have a Wharton computing account will be able to apply online at this site: http://accounts.wharton.upenn.edu

In cases, a non-Wharton student will not be formally enrolling or may have difficulty with the account application form. To resolve this issue, please let the instructor know. Registration information (first name, last name and University email address of the non-enrolling student) needs to come from the instructor -- unfortunately, the Canvas team cannot accept course room access requests directly from students.

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