**STRATEGY 627**

**Climate, Sustainability, and Corporate Governance**

Fall 1 term: September 5-October 14, 2024

Mondays and Thursdays, 8:00 – 10:15 AM

Rand Classroom, Fuqua School of Business

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| **Professor**:  Daniel Vermeer, Ph.D.  **Email**: [dv24@duke.edu](mailto:dv24@duke.edu)  **Office** (Fuqua) : A235  **Office hours**: Tuesdays and Thursdays 12:45-2:30 PM; Check Dan’s Outlook calendar to schedule a 30-minute block.  **Cell Phone**: (919)448-5555 | **Teaching Assistant:**  Kaley Palanjian  [kaley.palanjian@duke.edu](mailto:kaley.palanjian@duke.edu)  Bryan Graybill  [bryan.graybill@duke.edu](mailto:bryan.graybill@duke.edu) |

### Course Description

Global challenges such as urbanization, food security, water availability, inequality, natural resource degradation, and climate disruption increasingly put people and businesses at risk.  Yet these same trends can create profitable opportunities for companies if innovation is harnessed to create products, processes and business models that provide solutions for growing global markets. As environmental and social challenges grow, companies are increasingly integrating environmental, social, and governance (ESG) considerations into core strategies and investments. In particular, the scale and urgency of the climate crisis is creating a rapidly evolving range of new risks, requirements, opportunities, and expectations for companies to navigate.

This course is designed for students who want to learn the relevance of social and environmental issues to their specific industry or function, understand the interaction of business, government, and civil society in addressing society’s challenges, and/or pursue ESG-related careers.

In the course, we will examine common frameworks for assessing business risks and opportunities and developing strategies to promote more sustainable practices. We will compare and contrast challenges in different firms, industries and geographies, and evaluate how these differences affect corporate strategy and practice. We will also evaluate the capabilities that firms need to address societal challenges, and how they organize this work inside their organizations. Class sessions will combine case study analysis, lectures, guest speakers, and interactive activities.

**Learning Objectives**

Specific learning objectives for students include:

1. **POV**: Cultivate a science-based and philosophically-grounded perspective on broader debates regarding the relationship between companies, environmental challenges, public policy, and societal well-being.
2. **Fluency**: Understand key concepts, methodologies, strategic drivers, and practical applications of sustainable business principles.
3. **Climate as a business issue**: Explore the relevance of climate disruption and its associated policies and stakeholder pressures to corporate operations, risk management, measurement and disclosures requirements, innovation, and investment.
4. **Value creation**: Critically review industry case examples to understand how companies create value by tackling environmental and social risks, opportunities, and practices.
5. **Integration**: Master practical skills and tools for integrating business sustainability factors into business practices, operations, organization, policies, communications and reporting.
6. **Stakeholder lens**: Identify the roles and influences of different stakeholders on businesses—including shareholders, communities, customers, employees, NGOs, government and business partners – and the kinds of collaboration required to pursue sustainable solutions.
7. **Personal TOC**: Articulate your own theory of change about how individuals and companies can create momentum for system change.

**Class Materials**

**Course web site:**Access through Canvas (details provided in class)

**Text: *CSCG Course pack* (CSCG)**

* **The Course pack will be available at the Building Management Office (BMO) in the lower floor of Fuqua School of Business. Readings that are publicly available on the web will be shared through Canvas and will not be included in the course pack.**

#### Course Requirements

***Grade Summary***

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| **Due Date** | **Assignment** | **Points** |
|  | **Class attendance and participation** (individual) | **20** |
| *Sign-up* | **Case memo** (individual) | **15** |
| 9/17 | **Net Zero Strategy** (team) | **20** |
| 10/1 | **Gap Analysis** (team) | **25** |
| 10/11 | **Theory of Change** (individual) | **20** |

**Graded elements for this course include:**

***Class Attendance and Participation (20%)***

Class attendance and participation is an important part of the learning process in this course. You will learn a great deal from the ideas of others in the class. It is essential that you come to class prepared to share your insights with others and to compare your perspective on the day’s topic with the perspectives of your peers.

You will be evaluated on the quality of your contributions and insights. A contribution to class discussions builds on the preceding discussion and moves it forward to generate new insights.

Good comments are perceptive and relevant. They should use logic and evidence (e.g., specific incidents from the case), and should do more than express an opinion. Comments may also relate a personal experience or current event that helps to illuminate the ideas being discussed. Quality of comments is more important than quantity and dominating class discussions can negatively affect your participation grade.

Because discussions in large groups can suffer from a lack of continuity, comments that respond immediately to preceding comments--either by extending or critiquing the line of reasoning--are particularly welcome.

Please display your name tents at every class. If you are joining the class remotely, please ensure that your full name is displayed in your Zoom window.

***Individual deliverable: Case Memo –* due 11:59 PM 2 days before case’s class (15%):**

* **Description: *For one of those cases***, you will sign up to prepare a memo that provides an analysis of the case’s key questions and develops a recommendation. If you are new to business case studies, please see this [linked article](https://www.thoughtco.com/how-to-write-a-case-study-analysis-466329) for further guidance on analysis of case studies.
* **Format**: The corporate memo is a common format for internal communication within companies. ***Your memo should be no more than 2 pages, single-spaced,*** and should address the key questions of the case, in concise, direct language, using section headings, bullet points, etc. You do not need to address every question in the assignment, but be clear about which specific questions you are addressing, and try to touch on at least half of the suggested questions. In positioning the memo, you might choose to play the role of the case protagonist recommending a course of action to their CEO, or an external consultant recommending a course of action to the main protagonist.
* **For students submitting memos**: The instructor may “cold call” on you to discuss your memo, so please be prepared to share the highlights of your analysis in class. Please also make every effort to attend the class in which your case will be discussed, since you are expected to drive the conversation that day.
* **For all students**: Please note that you are expected to read and prepare for ***every case*** and may be called on in class whether or not you have submitted a memo. We will also likely do small group “pair share” discussions in class, so be ready to share your thoughts about the case with others in class.

***Team deliverable: Net Zero Strategy -* due 11:59 PM on September 17 (20%)**

**Description**: Please work together with your team on this assignment. To complete this exercise, please play the Net Zero simulation following the below guidelines.

In the Net Zero simulation, student teams manage a successful 4-star hotel located in either New York, London or Singapore. At the start of the game, the hotel has not done much about sustainability and its greenhouse gas (GHG) emissions are in the same range as other 4-star hotels in the city. Much remains to be done and there is a lot of opportunity to improve sustainability performance.

The hotel has committed to reduce its GHG emissions by 50% over the next 7 years while also keeping the hotel profitable. Each year players are presented with a list of initiatives that can help to reduce emissions and also impact the hotel’s business performance. Your job is to select the best initiatives each year to simultaneously reduce emissions and maintain the hotel’s financial health.

Please play the simulation 2 times as a team, testing out ways that you can optimize your emission strategy and noting your learnings. Once you have completed the simulation, work together as a team to create a PowerPoint slide deck (not more than 4 slides) covering the following topics:

1. How would you describe your team’s overall strategy for achieving your emission reductions? How did it evolve over the course of the 2 cycles of play?
2. What were your results? Please include your overall emission reduction, amount of carbon budget used, costs, and impacts on financial performance.
3. Which initiatives did you choose? Which were most effective? Please summarize your initiatives, reasons for selecting, and impacts. Please organize the list of possible initiatives into the following categories with brief explanations: Highly effective; Medium Effectiveness; Low effectiveness
4. What new insights did you gain, or what surprised you about the initiatives? Did you disagree with any of the game’s assumptions about initiatives? Which, and of what reasons?
5. How did the location of your hotel impact your approach and results? What factors would you consider if you pursued this strategy in a different location?
6. Based on your experience of the simulation, is there a “business case for sustainability? What tradeoffs are involving in pursuing this strategy?
7. What are your 3-4 key takeaways from this exercise? What advice would you give to a hotel chain considering a similar initiative?

**Please** be ready to discuss your results and insights in class.

***Team deliverable: ESG Gap Analysis (report and slide deck)* – due 11:59 PM on October 1 (25%)**

**Description:** You will develop a thorough ESG-based assessment for a target company. Ideally, you will select a company that is publicly listed (so that there is public information on the company) and demonstrates significant sustainability-related risks and/or opportunities that can be explored. The best companies for this exercise are probably ***not*** industry leaders that already have done significant work on key issues, or companies that have little demonstrated commitment to sustainability; rather, the best companies are those with compelling challenges or opportunities that have not been adequately addressed (relative to their potential impact or peer benchmarks). The focus should be on the material gaps.

For this exercise, put yourself in the role of an investor. Given your stake in the company, you expect it to operate sustainably AND deliver a strong return on investment.

This assignment includes two components: a 5-page memo, and a 3-slide deck. See details below.

1. Please write a corporate memo (~5 pages, single-spaced; 1,500-2,000 words including tables and graphics as needed) to the CEO of your target company providing a critical[[1]](#footnote-1) analysis of the priorities, goals, and risks articulated in its sustainability report, 10K filing, annual report, and other external disclosures. Cite references, with bibliography at the back of the report. See grading criteria below.

Your report should include:

1. **Executive Summary:** Concisely state your primary findings and implications in the first 1-2 paragraphs.
2. **Company overview:**

* Summarize the company, products, markets, and historical and current financial performance.
* *MarketLine Advantage* may be a helpful resource, available through the Duke Library: <http://advantage.marketline.com.proxy.lib.duke.edu/->
* Analyze relevant trends facing the industry, and conditions in the markets where they operate. Think about what external factors are relevant in assessing the company’s sustainability performance.

1. **ESG review -** please consider the following dimensions:

* **Materiality**: Has the company clearly defined its priorities based on a materiality analysis (or equivalent) that explicitly focuses on the critical few financially material issues – as well as the other ESG issues important to the company’s stakeholders?
* **Benchmarks**: How does the company’s ESG strategy and performance compare to others in their industry? Are they a proactive leader or a laggard? Why might they have taken this approach?
* **Governance**: Does the report provide clear information about governance in the firm? Is ESG tied to corporate purpose? What are the organizational structure to support their ESG efforts? How robust are CEO and Board oversight of ESG? Does the culture and organization appear to drive clear accountability? Is performance on sustainability tied to employee compensation or other incentives?
* **Risks**: Are there significant unmanaged risks or emerging issues that should be receiving more attention from the company? What evidence could you use to show them why these issues are important? Do the risks identified in the company’s 10k align with the sustainability/ESG report?
* **Goals**: What goals has the company established for their ESG strategy? Are the goals SMART (specific, measurable, assignable, realistic, time-related)? Are they ambitious or incremental? Science-based?
* **Metrics**: What metrics are actually measured and tracked by the company? How are they doing relative to their goals? How well do these metrics reflect the most important aspects of the topic?
* **Strategy**: Is the company’s ESG strategy aligned to their core business strategy?

1. Please also develop a **slide deck** summarizing your assessment to share in class. The slide deck should have the following elements:
   1. **Slide 1**: Company overview, Materiality, Benchmarks, Governance
   2. **Slide 2**: Risks, Goals, Metrics, Strategy
   3. **Slide 3**: Overall company evaluation
      1. How would you rate the company’s ESG strategy and performance on a 100-point scale?
      2. 3 biggest gaps
      3. Proposed case topic

***Individual deliverable: Theory of Change –* due 11:59 PM on October 11 (20%)**

**Description:** *Theory of change* is a methodology for making explicit views of how change happens in the world. While we all have ideas about what enables large-scale change efforts to gain traction, we rarely discuss or make explicit these assumptions in our plans for change in organizations. By creating a comprehensive model of the cause-and-effect relationships in a change process, teams can address the “missing middle” in their approach (the gap between problem statement and desired outcomes), surface assumptions, identify barriers and blind spots, and develop more effective strategies. In this assignment, you should approach the problem from the perspective of a trusted advisor to your target company developing an approach for addressing a key material issue.

In this individual assignment, you will articulate your own theory of change by following the below steps[[2]](#footnote-2):

1. **Assess the current context, define the problem, including root causes and stakeholders, and evaluate the business drivers and risks of intervention.**
   * Clearly articulating the context and the problem to solve can be the most challenging part of the process. For this exercise, you will want to identify a“meso-level” environmental or social problem that may be material for your target company.
   * Since you are taking the perspective of a company, please also include a detailed account of the “business case” for your proposed intervention. What are the incentives for the company to play an active role? Should they lead, partner, or follow other stakeholders? Do you any tensions or risks for the company participating in the effort? What resources and competencies will they need to contribute?
2. **Identify entry points that can create momentum for change.** 
   * In this step, you will describe the specific opportunities for intervening in the system that can create initial momentum, and the barriers that would need to be overcome.
3. **Articulate the desired future end state (outcomes)**
   * This future state picture should describe the prioritized outcomes that can realistically be achieved in the context of your intervention. Please reflect on these outcomes across the levels of the PROMISE framework. There will likely be tension between what is needed to address the scale of the challenge and the ability of the organization to address that change – how might you creatively close that gap?
4. **Design the interventions: Describe and map the activities that could lead to the short- and long-term results.** 
   * Companies rarely can take on problems independently but must partner with other stakeholders around shared goals. In this section, you should define your “game plan”, and how it might unfold over time. This section will be persuasive if it accounts for the incentives of the actors, scales and sequences actions strategically, and comprehensively links causes and effects.
5. **Create your narrative, along with a visual representation of how you would approach the challenge.** 
   * The visual representation of your theory of change should map out the stakeholders, relevant system elements and actions, and how they interact over time. It should include the most important aspects of Steps 1-4, and demonstrate how your proposal can achieve system-level change.

**Deliverable**: Please submit a 3-page (single-spaced) narrative of your theory of change, and a 1-page visual representation of your approach. See examples of other Sample Theories of Change on Canvas,and following the links in the USAID Theory of Change Workbook. In addition, please include a 1-page personal statement addressing the following questions: Do you see yourself as a change agent? How does this influence your choice of first job, industry, function, or career goals? Note that you do not need to see yourself as a change agent to complete this assignment. In this case, you can describe your personal approach to your career, what priorities are guiding your career choices, and how these intersect – or not – with current social and environmental challenges.

**Grading Criteria**

Required assignments for this class include written case responses, essays, and project reports. Criteria for reviewing written work include the following:

* **Prose**: Submissions should be well-organized, grammatically correct, free of spelling errors, and include proper citation. They should be well-designed visually and communicate in clear professional prose.
* **Scope**: How ambitious is your project? Have all relevant aspects been addressed? Are the recommended actions clear and feasible? In most cases, a more ambitious, insightful, and comprehensive approach is preferred, as long as it is realistic and achievable.
* **Mastery**: Do you make effective use of class concepts in your assessment? Did you draw on materials from outside class? It is important that submissions demonstrate insights from class readings and discussions. It is also valuable to introduce sources or ideas from outside the class that improve the argument.
* **Persuasion**: How convincing is your analysis? Do you bring meaningful order and insight to your argument? Do you make good use of evidence? The reader should feel compelled by your conclusions.

**Late Assignments:** If you have a good reason for not being able to turn in an assignment on time, it will be considered, *if you speak to Dan beforehand*. Otherwise, your grade will be adjusted downward.

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| **AI in the Classroom**  The rapid development and adoption of artificial intelligence tools (e.g. ChatGPT, Bard, Workspace) has dramatic implications for almost every human endeavor, including education. In recent months, I have been studying these tools and experimenting with the full range of possible uses in research, writing, and communication. I expect that most of you are also trying to master these powerful new assets in your work. In general, I encourage you to learn about these tools, experiment with them, and integrate them into your routines. Below, I provide my guidance on acceptable use, and the policy I will enforce in this course.  **Acceptable use**  AI tools can be used for the following purposes:   * **Research**: You can use AI tools to gather information about a topic of interest. This may be particularly helpful in the early stages of research but should not be considered a reliable source of information. Once you have identified relevant information, I strongly encourage you to confirm this information from a trusted source. Treat the tool as an interested peer research partner, but one that is prone to share false or distorting information. Seek its input, but be sure to confirm factual details, challenge conclusions, and own the narrative. * **Writing**: Be careful in using AI to generate text for your deliverables. You may query your topic to get ideas and flesh out themes, but I recommend putting it away when you actually start to write your post. This has a few benefits; for example, it can reduce the likelihood of plagiarism. It can also enable your real voice to come through in the writing. Even though AI-generated text is smooth and grammatical, it tends to be too flat and generic for an opinion-oriented writing assignment. With this in mind, I plan to more highly rate written products that have a clear “voice”. The more you sound like a person with values and opinions, the less likely it will be mistaken for AI product. * **Editing**: AI tools also have the ability to provide revision advice to your written content. This is another area where you should proceed cautiously. You can seek the AI tool’s feedback to improve your writing (sentence structure, grammar, succinct points, etc.), but don’t rely heavily on this functionality. As in above cases, you will need to make value judgments constantly to make the best use of the tools without sacrificing your integrity as a scholar and thinker.   **Policy:** In general, I permit and encourage you to use AI tools for this class, given the listed considerations. Regarding all work in this course or others, the submission must be your own. Any time that you copy, quote, summarize, or paraphrase materials for other people or other sources – including AI tools – you must be properly quote or cite the source. Failure to document your sources will be considered plagiarism, which can result in a failed assignment grade, a fail for the course, and/or disciplinary action by the School. For more information on Duke’s plagiarism policies, see [Duke Library’s resource page](https://library.duke.edu/research/plagiarism). Note that this policy consistent with the Fuqua Honor Code (included below) which provides further guidance on expectations.  If you use material from an AI tool, you can cite it with language like “Generated with Chat GPT”. If necessary, you may also track and cite your use of AI using the guidelines provided in Monash University’s [Acknowledging the Use of Generative Artificial Intelligence](https://www.monash.edu/learnhq/build-digital-capabilities/create-online/acknowledging-the-use-of-generative-artificial-intelligence). The one exception I make is that you are not required to cite use of Grammarly (or similar tools) which help refine your writing style, but do not contribute to the content. Therefore, I consider these tools in a different category, like a dictionary or thesaurus.  AI creates almost unimaginable possibilities for improving our societies, economic systems, and educational experiences. It also threatens to undermine many of the institutions, capabilities, and certainties we trust about the world we live in. At this early stage of evolution, I invite you to be partners in developing wise policies and practices around these tools. Please don’t hesitate to share your insights and experiences with AI as the course unfolds. |

**Fuqua Honor Code:** Duke University is a community of scholars and learners, committed to the principles of honesty, trustworthiness, fairness, and respect for others. Students share with faculty the responsibility for promoting a climate of integrity. As citizens of this community, students are expected to adhere to these values at all times, in both their academic and non-academic endeavors.

The Fuqua School of Business Honor Code applies to all aspects of this course. The nature of each assignment indicates the type of communication and consultation that is permitted. Work that is described as an individual effort is to be your work alone, without consultation or assistance from any other person. Work that is described as a team effort is to be your team’s effort alone, again without consultation or assistance from anyone else. If you are uncertain about the nature of any assignment, please ask the instructor in advance. Details on the Fuqua Honor Code can be found [HERE](http://www.fuqua.duke.edu/about/honor_code/). Please review the code before the first class.

**Class Overview**

Class sessions, dates, topics, and cases are summarized below. Please refer to Canvas for details on readings and assignments.

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| **Class** | **Date** | **Topic** | **Case** |
| **1** | **9/5**  **Thursday** | **Business in the Biosphere** | Houston & Hurricane Beryl |
| **2** | **9/9**  **Monday** | **Governing the Corporation** | Exxon\*\* |
| **3** | **9/12**  **Thursday** | **Navigating The Regulatory Landscape** | No case |
| **4** | **9/16**  **Monday** | **Understanding E, S, & G – The Basics** | Generation |
| **5** | **9/19**  **Thursday** | **Achieving Net Zero** | Net Zero simulation |
| **6** | **9/23**  **Monday** | **Assembling a Climate Strategy** | Microsoft |
| **7** | **9/26**  **Thursday** | **Managing Risk & Scaling Stewardship** | Coca-Cola |
| **8** | **9/30**  **Monday** | **Creating Just Businesses** | Smithfield Foods |
| **9** | **10/3**  **Thursday** | **Recognizing the Rights of Stakeholders** | Nike |
| **10** | **10/7**  **Monday** | **Catalyzing System Change** | Carlsberg |
| **11** | **10/10**  **Thursday** | **Reimagining Value Creation** | Kerecis |
| **12** | **10/14**  **Monday** | **Final session** | Reimagining Capitalism |

\*\* Highlighted cases are eligible for students to write case memos. A sign-up sheet will be posted online ad announced in class.

1. “Critical” does not necessarily mean negative – it means that you have fairly and objectively evaluated the report, identifying both its strengths and weaknesses. You could argue that the company should do more on sustainability - but you could also argue that the company should do less because it is using shareholders’ money on activities that don’t have direct bottom-line benefits. [↑](#footnote-ref-1)
2. These steps are described in more detail in the USAID Theory of Change Workbook available on Canvas. Please note that your TOC takes the perspective of a company rather than a development practitioner as assumed in the Workbook. [↑](#footnote-ref-2)