Chapter 10
Teaching the Sensitive Stuff: Does Industry Matter? Issues in Corporate Social Responsibility and Sustainability

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10.1 Introduction

Our intention in this chapter is to bring up some challenges that face professors when dealing with ethics and critical thinking, related to social, environmental and sustainability issues that are relevant to management courses in higher education. In particular, we want to examine the role of a few selected branches of industry, and of a predominant business model. A basic assumption is that when it comes to the economic guidance provided by the "invisible hand" of the market, the ethical guidance provided by the business culture, and the guidelines and regulations provided by regulatory agencies, not all industries are created equal.

While management practices based on stakeholder theory and Corporate Social Responsibility (CSR) may be present in all industries, the practices and results seem to differ considerably, both between companies and industries. Thus, we are challenged both to discover the somewhat hidden reasons for the differences, and also to examine the obstacles to teaching about them.

Most CSR initiatives can be classified as answers to social and environmental issues, and most empirical research in CSR seems to be focused on company reporting and company practices related to social and environmental categories. Among these two, the environmental issues seem to be more directly linked to the concept of sustainability, and to the main topics of this book. We do not take this to mean, however, that social issues should be kept separate from the sustainability issue. We shall therefore include in this chapter both environmental and social

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categories in our concept of sustainability and in what we consider significant CSR issues. Also, while climate issues certainly are worthy of focus in a book on sustainability, we do not see them as the only area of concern. "The Limits to Growth" (Meadows et al. 1972) was written well before there was any talk about man-made climate changes.

While social and environmental practices have been the main topics both of legislation and of CSR programmes and CSR studies, we shall also consider the sustainability of the business model itself. Thus, we make a distinction between on the one hand a great number of critical issues and practices, and on the other hand, the very logic of predominant business models in a given industry.

In what follows, we first give a (historical) review of the somewhat uneasy relationship between environmental initiatives and business management education. We identify several stages in this development: from early neglect of environmental initiatives, to the present day confusion over climate issues, and the adoption of "sustainability strategies" and "eco-business" by large scale manufacturers and retail chains. We also examine the concept of a "common good", and discuss how to measure the contribution of a branch of industry and of individual enterprises to the common good. In the second part of the chapter we discuss the characteristics of five, selected branches of industry in terms of sustainability and corporate social responsibility, and also consider the role of predominant business models.

10.2 Description

10.2.1 The Environment Versus Business Tension

While individual capitalists in many cases certainly contributed significantly to social and environmental improvements in the late nineteenth and early twentieth centuries, even in the 1960s, environmental protection was mainly a proto-environmentalists concern, often seen as anti-business and a threat to material well-being. On the academic side, teaching business management was in many ways a reflection of the ideas and attitudes typically found in the business communities. Comments and answers to student questions were often of an apologetic nature: implying that important environmental issues were already well taken care of by the market mechanism, and by the regulatory structures already in place.

10.2.2 Environmental Roots

An early champion of nature was Jean-Jacques Rousseau, who in *Émile* (Rousseau (1762) 1979) argued that everything natural was in perfect order. Contrary to Thomas Hobbes, who in Leviathan, from 1651 characterised the "state of nature" as a place devoid of any possibility for justice, and where the prudential morality of the laws of nature is not compelling other than in *foro interno* (Hobbes (1651)

2010), Rousseau argued that in the state of nature some sort of "uncorrupted morals": a certain natural goodness, would prevail. Therefore "savages" would be better off, and more capable of peaceful living, than people subjected to the decadence of civilisation, as Rousseau argued in *Discourse on Inequality* in 1754:

> The first man who, having fenced in a piece of land, said "This is mine," and found people naïve enough to believe him, that man was the true founder of civil society. From how many crimes, wars, and murders, from how many horrors and misfortunes might not any one have saved mankind, by pulling up the stakes, or filling up the ditch, and crying to his fellows: Beware of listening to this impostor; you are undone if you once forget that the fruits of the earth belong to us all, and the earth itself to nobody (Rousseau 2009, p. 63)

An early American call for a return to nature was from Henry David Thoreau, who in "Walden; or, Life in the Woods", published in 1854 (Thoreau (1854) 2008) wrote about living in harmony with nature. Thoreau was to remind a century of urbanised Americans about the true value of simple and clean living. An early political voice in defence of nature was President Theodore Roosevelt, who in 1907 stated that "The conservation of natural resources is the fundamental problem (Quoted from Theodore Roosevelt's Seventh Annual Message to Congress, December 3, 1907: "The Conservation of Natural Resources").

This passage has the value of contextualising the issue: the world that we inhabit is an artificial composition that we human beings are shaping. The point is not so much to go back to a romantic Rousseauian state of nature, provided it ever existed, but to recognise the political responsibility, and to employ the knowledge and technologies that have been developed for the only apparent paradox of preserving the natural environment as a human creation.

A more direct forerunner of the environmental movement was the famous book by Rachel Carson, *Silent Spring* (1962), documenting the detrimental effects of pesticides on bird life and on the environment, accusing the chemical industry of spreading disinformation, and public officials of uncritically accepting industry claims. The Rachel Carson case also served to demonstrate how far such companies as Monsanto, Velsicol, American Cyanamid and large parts of the American chemical industry, even with the support of the Agriculture Department, would go in order to stop publication of the book, by personal harassment of Rachel Carson and threats of lawsuits.

The early contributions paved the way for broad international environmentalist and conservationist, grassroots movement. The environmental movement focused on a broad spectrum of issues, mainly wilderness protection, pollution control, agricultural sustainability and human health. While the Sierra Club was founded in 1892, mainly as a wilderness conservation movement, a number of environmental disasters in the post-World War II years, opened up ordinary peoples' eyes to environmental negligence, widespread pollution and pollution-caused disease: ranging from radioactive fallout from hydrogen bomb testing (Japanese fishermen near the Bikini Atoll), to oil spills (Cornwall, England and Santa Barbara, California), to mercury poisoning (Minamata population in Japan). The first Earth Day was celebrated in 1970. Greenpeace was established in 1971. Paul R. Ehrlich wrote "The Population Bomb" in 1968. "The Limits to Growth" was published in 1972.

The 1960s was not only a period of growing environmental concern, but more like a period of revivals, with individual engagement, a spread of collectives (including hippie communities in the US and 68th generation movements in Europe), and a mix of concerns: including civil rights, the rights of (former) colonies and issues of foreign aid, and the right to clean air and a clean environment.

10.2.3 Business, Government and Management-Educator Responses

Business on both sides of the Atlantic responded to the new movements by more or less rejecting the legitimacy of the cause, seeing most kinds of environmental and social critique as a threat to business freedom and a cause for increased costs. Environmentalists were not seen as credible informants. Business managers claimed to know best what was needed, and self-regulation (meaning non-regulation) was seen as the best strategy for dealing with the environment and social concerns.

Academic responses in the business schools to some extent mirrored the business responses. There was a huge gap between the responses of political scientists and sociologist, who often joined the environmental movement, on the one hand and business and management educators, on the other hand, who generally took a market-conservative, pro-business stand. To the extent that environmental issues were dealt with in the classroom, the problem issues were often more the question of how to deal with movements, activists and regulators, than how to clean up the environment.

Starting in the 1970s most industrialised societies set up Ministries of Environment and similar governmental structures. The Royal Norwegian Ministry of the Environment was set up in 1972, as the first in the world (in January 2014 the name was changed to The Ministry of Climate and Environment). Other nations soon followed, and public agencies often became mediators between radical environmental groups and businesses. While the companies, especially the big polluters, still looked upon environmental movements mainly as a threat to freedom and profits, the fact that environmental protection now more and more was based on scientific investigations and enacted into law, caused managers to gradually shift from a focus upon fighting against idealists and environmentalists towards lobbying against law making and law enforcement. In mainstream business policy, environmental protection was still seen by many managers as a necessary evil, and measures to decrease pollution were frequently seen as non-recoverable and un-necessary investments.

10.2.4 Stakeholders, NGOs and CSR

If the 1970s was marked by the initiation of public regulations, with the power to impose limitations on pollution and enforce fines for non-abiding parties, the 1980s was in many ways a period of NGOs and stakeholder action. The story of environmental movements and later legislation shows that the market does not exist in a socio-political vacuum, and that profits and salaries are not the only interests at stake.

Individual environmentalist, idealists and philanthropists, as well as NGOs, consumer and environmentalist movements, are part of a wider system of influences, influencing what is being produced and consumed as well as the processes of production and distribution. Government agencies are important regulators of business, and sometimes even more important, and more negatively important, when they fail to do a proper job of regulating.

The first to write about stakeholder theory in management was R. Edward Freeman (1984), who in "Strategic Management: A stakeholder Approach" identified various interests who all had a stake in the outcome of business decisions. While Freeman's approach was a general one, including all kinds of stakeholders: financial, local, consumer, suppliers, owners and employees, the stakeholder approach to business management added legitimacy to environmental and social concerns in business management. Business managers gradually came to realise that they would do better working with the tides of the time than against them. They would do a better job by listening to, and reporting back to, a wide selection of stakeholders than only to the shareholders.

CSR-initiatives, dating back to the 1960s, in a sense presuppose a stakeholder theory. CSR is mainly about corporate responses to stakeholder concerns. At an early stage the main idea was to pre-empt criticism, often through philanthropic donations, and still many look upon CSR as mainly an instrument for philanthropy and as a way to escape criticism, whether it is called "corporate conscience", "corporate citizenship" or "sustainable responsible business". Gradually, however, CSR is seen more as a principle of self-regulation, with less attention to gift-giving, and more focus on sustainable business management, and sustainable business models, looking at internal value chains and external value systems. A main goal is to avoid illegal and unethical business policies, and to operate according to (international) norms of good business practice. Today CSR is about systematic approaches: there is even an ISO-standard for CSR—the ISO 26000 (The ISO-standard does not serve as an "ethical certification" but as a system of feedback and advice about ethical business practice in such areas as local community development, human rights, labour relations, consumer relations, fair business practice and environmental impact). In Norway, CSR reporting is now mandated by law (see also Chap. 12 for a further discussion of different approaches to CSR).

10.2.5 Environmental and Social Challenges to Business Strategy

Our experience from many years of teaching in business schools, and from participation in international, academic management arenas tells us that even now, not much attention is normally given to CSR and sustainability issues in business research and teaching. While most business schools offer coursework in business ethics or CSR, the area has never been promoted to a high status or a predominant position in degree programmes (at the same level as finance, accounting or business strategy), and the number of staff hired to teach such disciplines is usually small. Teaching obligations in the area are often seen as a side obligation, or a voluntary input, as part of a more conventional academic position. Much of what is accomplished is due to the efforts of idealists. And where such individuals are missing, deans and administrators sometimes have a hard time finding people to teach CSR and sustainability issues.

Going with the flow, however, also means that there is now an increased space for proactive and strategic thinking in the area of environmental and social sustainability. For a long time, the environmental issue never became a top priority in most firms, but it has increasingly been seen as a legitimate concern along with a great number of other issues. A proactive, strategic attitude to environmental issues was encouraged by Michael Porter and Class van der Linde in their 1995 Harvard Business Review article ("Green and Competitive: Ending the Stalemate"), where they argued that environmental protection should not be seen mainly as a threat and a cost, but as an opportunity (Porter and van der Linde 1995). For a number of industries, including pulp and paper, paint and coatings, electronics, refrigerators, dry cell batteries and printing, they demonstrated how clean technologies not only would eliminate pollution but also improve the bottom-line. They also gave advice in favour of "innovation-friendly regulation", and they indicated how German and Japanese car manufacturers had captured early-mover advantages, by proactively coming up with environment-friendly innovations, while the American producers had wasted money trying to fight regulations. In a later publication, Porter and Kramer (2011a, b) introduced the concept of shared value, concretising the idea of proactive, strategic action for community development and social and environmental contributions, at the same time promoting your own business goals for profit and growth.

In their excellent book on *Eco-Business—A Big-Brand Takeover of Sustainability* (2013), authors Dauvergne and Lister demonstrate how big-brand firms like Walmart, Coca-Cola, Nestlé, McDonald's and Nike, now actively promote themselves as prominent actors for sustainability, and use the sustainability concept in their drive for leaner production and distribution, and for tougher administration of value chains and international supply chains. While sustainability policies may help clean up industrial and logistical processes, the overall impact, according to these authors, is to speed up overall consumption, waste and resource depletion, often incurring sizeable human and social costs along the way. Therefore, while certainly

a great number of strategy and management professors have advocated that sustainability be added to the strategy tool box, and Michael Porter's support of "shared value" is an eco-friendly initiative, the overall impact of "eco-business" may be more business and more profit, more sustainability marketing and image management resulting, however, in less real sustainability!

This is a serious issue, hinged on the gap between eco-friendly CSR proclamations on the one hand and the real "footprint" on the other. The tobacco industry for a long time used CSR as a "shield" in order to protect harmful business practices (Hirschhorn 2004). The new trends, with mega-corporations in retailing taking over more and more of international business (Walmart now employing more than two million people worldwide), using "eco-friendliness" and "eco-business" as marketing devices brings the issue to a new level: The use of "sustainability strategies" that may promote sales without being good for true sustainability and for the social good, should definitely be dealt with critically in business schools. In the present chapter we shall focus more on some other targeted industries, however.

10.2.6 From Pure Profit to Common Good to Concrete Negatives

A starting point in the examination of industry-level problems with sustainability, may be Milton Friedman's famous claim that "the business of business is to make profit" (Friedman 1962, 1970). Specifically, he warned:

> Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible (Friedman 1962, p. 133).

Friedman's argument presupposes that perfectly functioning regulatory agencies are in place, and that all aspects of pollution, negative side effects of production and consumption, and issues of sustainability are taken care of through legislation. It also follows that the best indicator for comparisons of "goodness" between industries and companies is the rate of profit, or return on owners' equity: ROE: The more profitable a business firm, or the higher the average ROE in a branch of industry, the greater its contribution to the common good of a society! High profits imply that entrepreneurs and business firms are able to better meet important (unsatisfied) customer needs than their competitors, or that they are able to satisfy such needs in a more efficient way.

While often strongly criticised in public debate, most business schools and business professors seem to take Friedman's reasoning, and the full back-up of neo-classical micro-economics, and libertarian ideology, more or less for granted, even when they add some qualification (that markets are not perfect, customers are not fully informed, regulations do not always work as needed). What is new is that sustainability is now used by prominent actors as an effective strategy for increased profit (Dauvergne and Lister 2013).

10.2.7 The Invisible Hand

Since Adam Smith we have had a reasonably clear conceptualisation of the capitalist market economy. The market is to serve as a co-ordinating mechanism (or "invisible hand") matching production capabilities to human needs, in ways that best exploit the comparative advantages of producers, and that also best satisfy the needs of people. At the level of individuals and families, and perhaps also of regions or ethnic groups, talent, effort and luck will influence to what extent they are able to retain a higher or lower share of the values being created. The share allotted to an individual, family or social group also determines their opportunities for consumption and capital accumulation. The role of the government and public agencies is seen mainly as one of regulating private business (limiting negative side effects), procurement of public goods, and sometimes provide for a minimal "surplus goal" of redistributing income and wealth.

The real secret of the invisible hand lies in the conversion of individual subjective interest into a collective interest: the satisfaction of individual and group needs by people in pursuit of their own interests. The drive for profit by individual capitalists, even with a total ignorance and disregard of the common good, will lead to increased wealth in society. Thus, a "conversion mechanism" in the shape of an "the invisible hand", seems to be in place, converting individual interests into collective interest, individual good into collective or common good.

The precondition for this to take place is that what we may call "the pure economic interest" of an economic actor, does not stop the "conversion mechanism" from doing its job, in which case we might talk about a "negative conversion mechanism". Sometimes the invisible hand does not seem to measure up: it does not seem capable of turning out the common good it was supposed to do.

We can think of "non-conversion" or "negative conversion" as being either circumstantial or categorical. A "circumstantial negative conversion", as in a downward spiral of wages, might take place in a company town, where a mining company would pay workers as little as possible. Since workers often seem to be "stuck" in such places, indebted or otherwise incapable of leaving, and since no competing capitalists are moving in to bid up prices of labour, a downward spiral of decreasing wages and increasing labour misery is possible, perhaps even likely. Clearly, the invisible hand is here corrupted, and the conversion mechanism works in the wrong direction.

When we move from "circumstantial negative conversion" to "categorical negative conversion", we have to look for industries where the economic interest, as expressed in underlying logic and dynamics of predominant business models in the industry, itself drives a negative spiral, or a negative conversion process, and where, in the process, it also tends to undermine or corrupt governmental agencies that were meant to arrests the negative conversion processes. To uncover such mechanisms, one may ask what tendencies would prevail if such corporations were driven purely by a profit motivation, without proper regulation and without any

consideration of ethics beyond that which is mandated by law, as suggested by Friedman.

10.2.8 Common Good: The Great Divide

The common good is not a very precise term because it tends to vary between cultures and it changes over time. Further difficulties are generated by debates that consider whether the public good consists of the simple sum of individuals' good or something more and on how to strike the proper balance between the good of the current generation against the good of future generations.

While we cannot account for every single variation of the idea of common good, for the scope of this chapter we can try to systematise the concept by looking at a set of two dichotomies and use them for sketching four ideal-types. The first dichotomy considers whether it is simply desirable to set a proper process and the common good will be the unpredicted and changing outcome whatever it may be (process-based) or whether the common good is pre-defined and it is necessary to look at the possible final outcome for creating the best process that will generate exactly that specific idea of common good (end state). The second dichotomy focuses on the political priorities for generating the common good: whether the private interests should determine the boundaries of the public action or the public interest should set the boundaries of private actions. Table 10.1 tries to illustrate this.

First: private over public priority and process-based not predetermined idea of common good. Robert Nozick's idea of libertarianism expresses this ideal-type. In Anarchy, State, and Utopia (1974), the satisfaction of individuals' preferences can come only from the total respect for individual rights (toward liberty, security and property, derived from Locke's concept of the state of nature). According to this view, the state should be minimal and work only for guaranteeing individual and corporate (as free associations of individuals) rights. If the state decides to have "surplus goals", or goals beyond protecting individual rights (which under libertarianism is not recommended, but not strictly excluded), it can pursue such goals only if they do not interfere with individual rights which are defined as side-constraints. A minimal, night-watchman, state would be limited to the protection against violence and use of force, theft and fraud, and the enforcement of contracts. The essential mechanism for the creation and distribution of goods and benefits in society is based on the concept of entitlement: the institution of free exchange among consenting adults, based on a just and fair starting position, even if the exchanges lead to large inequalities at later stages.

The main problems of this ideal-type in terms of common good are twofold: first, as Nozick recognises, it is unable to redress past injustices both deriving from the initial appropriation of limited natural resources and from the effects of following passages of wealth that started with an unjust procedure; second, the creation of negative externalities or side effects, including "the tragedy of the commons",

Table 10.1 The common good

	Process-based not pre-determined	End-state pre-determined
Private priority over public	Nozick's libertarianism	Mill's liberalism
Public priority over private	Rousseau's republicanism	Bentham's utilitarianism

serious deprivation of the poor, linked to huge discrepancies in income and wealth, and serious lack of public services.

Second: public over private priority and process-based not predetermined idea of common good. This ideal-type may be represented by the works of Rousseau, particularly The Social Contract (1762). The common good in Rousseau is linked with the idea of the general will: as much as the general will is not the sum of the private wills of different individuals, but something more that bypasses their personal interests, so the common good is not simply the total sum of each individual's private wealth, but adds a further substance to the final result. The process outlined here does not specify the kind of common good that will result, but only the fact that it can only be derived from the individuals' willingness to look for it rather than for their private interests when deliberating.

The main risk in terms of common good associated with the general will assumptions is, at the extreme, the danger of tyranny. It may be the tyranny of a democratic majority, over-ambitious about surplus goals or a tyranny in the shape of a dictatorship of the proletariat, as seen in communist societies. But we may also associate such tyranny with political oligarchies and monopolistic business-government relationships, such as the "military-industrial complex": coined by President Eisenhower at his departure address (As we shall see, there seem to be many such "complexes" in modern economies).

Third: public over private priority and end-state predetermined idea of common good. This ideal-type can be represented by Bentham's classical formulation of utilitarianism (Introduction to the Principles of Morals and Legislation, 1789). Bentham started from the consideration that pain and pleasure are the "two sovereign masters" under which human kind was put. The common good derives from the hedonistic assumption that every sentient being, so including also animals as moral patients, wants to avoid pain and get pleasure. The passage from the individual to the collective keeps the same pre-determined common good's substance as the greatest possible good for the greatest possible number of individuals. Having defined the goal, as a teleological and consequentialist theory, the process is determined by its ability to reach that goal and Bentham provides a series of technical formulas for succeeding.

While, as a social doctrine, utilitarianism seems to satisfy the idea democratic idea of giving equal weight to everyone and to promote social welfare, its main risk in terms of common good is associated with its potential inability to respect individuals in the name of the maximisation of utility of the group, for example when the pain of one brings about the pleasure of all the others. This problem has constrained the application of utilitarianism to politics, but it has not prevented it to spill over on smaller groupings such as large corporations as a justification for

practices that penalise internal and external stakeholders in the name of the highest good of the company (and its shareholders).

Fourth: private over public priority and end-state predetermined idea of common good. John Stuart Mill's idea of liberalism can be used for characterising this ideal-type. In On Liberty from 1859 (Mill (1859) 1869) there is a clear defence of individual rights against external interferences on the basis of at least two principles. First, anti-paternalism, as for example expressed by his criticism of the presumption of infallibility: Mill describes this problem in terms of freedom of expression, highlighting how censorship of dissenting ideas may risk preventing the full development of individuals and therefore societies, and he uses the example of Marcus Aurelius as a respected philosopher who, as an emperor, persecuted Christians. Second, the harm principle stating that one's actions can be limited only when they harm someone else. These procedural principles derive from the predetermined and perfectionist idea of common good that Mill indicates in Utilitarianism (1863) as the only form of real freedom: autonomy or the possibility for each individual to flourish according to his/her own ways. Interestingly Mill was also supporting a qualitative form of utilitarianism as a progressive system designed for creating those political and social preconditions that are necessary for extending the opportunity for individual flourishing to everyone (Mill (1863) 1998).

The main problem of this ideal-type in terms of common good rests with its perfectionist view that risks not only and not so much to clash with the harm principle, but also and most importantly imposes a goal to be promoted on individuals and governments in such a way that it may generate a sacrifice of autonomy itself. In Mill this problem is exacerbated by his version of utilitarianism which focuses not only on the quantity of pleasure, but also on its quality ("better to be Socrates dissatisfied than a pig satisfied") with a preference for those intellectual activities that according to him provide a higher level of satisfaction.

While arguments among political philosopher are not settled, as a matter of practice, the diversity of the idea of common good is also reflected in the most comprehensive list of rights that has been historically agreed upon, though not very much respected, by the largest number of international actors: the Universal Declaration of Human Rights (1948). Here while the libertarian interest for individual rights is represented, it is not based on the strict format of side-constraints and both the rights of individuals and the duties of the public extend well beyond the idea of side constraints (including, for example, the right to education in article 26); and while republican calls for political participation are endorsed, there are no references to any general will and most importantly there are specific limits not only for preventing abuses of individual rights, but even to co-optation (including, for example, a specific prohibition against compulsory association in article 20.2). The tone of the Declaration is set up in such a way that, if we want to interpret it in the light of our ideal-types of common good, it recalls Mill's interest towards human flourishing and the provision of those instruments that enable individuals to endeavour for it (that later were further developed in the International Covenant on Economic, Social and Cultural Rights in 1966, although not all countries who signed later ratified it, with the USA being the most prominent case). Finally,

recognising the extended importance and power of private corporations, the United Nations Human Rights Council endorsed the Guiding Principles on Business and Human Rights (2011): a first, non-legally binding, step for addressing and possibly "protect, respect and remedy" illicit practices by the private sector. While the document is a very positive step, possibly covering a wide array of issues like pollution, the eviction of people and systematic abuses of workers, it is limited in its scope. Here we consider not only cases that violate existing legislation and international agreements, but also intended practices and effects of practices: lack of responsibility and accountability, for example that endangers or even prevents the possibility of human flourishing. When referring to the common good in the present text, we shall refer to these as "concrete negatives": aspects of business and society that go against the human flourishing vision.

10.3 Discussion

10.3.1 Reasons for Concern

While most advanced economies today have social and environmental legislation in place, and while most legal business operations today take these regulations for granted, and many firms have proactive CSR-type policies in place, we should not assume that social and environmental concerns are therefore taken care of.

From CSR-research we may observe a number of sobering observations. In an article, covering 400 interviews and 1,100 questionnaires to managers, including sustainability experts, and external stakeholders, Steger et al. (2007), all from IMD, ask whether the "triple bottom line" (of economic, social and ecological reporting) is just an illusion, a "fashionable" rhetoric without substance: "Reality appears to be that the economic bottom line still dominates corporate decision making" (2007, p. 162). Most companies seek to comply with laws and regulations, but CSR was meant to take companies beyond simple compliance with laws. Laws are seen by these authors as the "required precondition for companies' license to operate" (p. 162) while CSR should be mainly about corporate responses to stakeholder issues and internalisation issues ("polluter pays" principles) beyond legislation.

In their study of ten important industries (including: Electric utilities; oil and gas; automotive; aviation; technology; chemical; food and beverage; pharmaceutical; financial; and other), most social and environmental issues were considered to be of secondary importance. On a 5-point scale (where 5 means highly important, and 1 means not at all important) social and environmental issues were rated around 3, even in highly exposed industries, meaning "fairly important". In the financial sector, social concerns were rated at 2.75 and environmental concerns at 2.17: which translated into ordinary language, would mean "nothing to care about". And, in agreement with the authors, we should also remind ourselves that these results are likely to be too optimistic: companies tend to present themselves as being more

concerned than they really are about such issues, as part of their "impression management". However, some issues, such as climate change in the energy industries, or obesity in the food and beverages industries, were seen as important enough to receive "professional attention".

We may ask why the interviewed managers did not see such issues as more important: not "make or break" issues. The reasons may be many: critical economic issues take precedence; managers believe they have successfully managed such issues before; uncertainty about regulations and diffuse market reactions may cause them to be reluctant; highly fragmented issues makes it difficult to face up to problems: 225 different issues were brought up in a former study (Steger 2004); the spread of issues over the entire value chain leads to fragmentation of responsibility.

While the responses seemed to gravitate towards the mean on the 5-point scale, there was still a statistically significant difference between industries, indicating that both the nature of the business and differences in management attitudes and management practice might play a role, with oil and gas and the chemical industry being more than average concerned with environmental impact, and with oil and gas (in less developed countries) together with the food and beverages industries being more than average concerned with social issues. Overall, environmental issues were seen as more important than the social ones.

10.3.2 Concrete Negatives by Industry

We have so far rejected the argument that profitability can serve as a "supreme and only" indicator of contribution to the common good. We have also uncovered that while common good arguments may remind us that human wellbeing should be sought in the good of the whole society, and not only at the level of individual or private interests, the concept of a common good may be too broad for the purposes of the present chapter. Instead we shall return to what we referred to "concrete negatives" for our comparisons of environmental and social sustainability at the industry level.

From the history of business and economics, there are many cases, and in some industries a systematic pattern, of unfair practices, waste, social misery, and environmental degradation in the footprints of capitalism. Many firms also seem willing to spend unlimited amounts of money for bribery, corruption of regulatory agencies, lobbying among politicians, and whatever undercover influence they might find economically beneficial. Instead of going for an indicator of goodness, we may start in the other end, looking for indicators of badness and criminal behaviour. Of course, a company may engage in unlawful behaviour and at the same time be active in sustainability policies, shared value policies or charity. It may also at the same time offer employee's generous salaries and benefits. Furthermore, national legislation does not always correspond to ethical ideals. In some countries, it may (according to one's own standard) be unethical to not follow the

law (as in the case of taxation or bidding practices); in other societies it may be unethical to follow the law (as in the case of treatment of homosexuals or child labour).

But if we accept that it is hard to find one indicator of overall goodness or badness, at least we can use trespasses of the law as a starting point. All proponents of the market economy, would agree that business firms normally need to operate inside of the law (although some might argue that the most important is not to get caught. . ..), and while there are a number of ethical concerns that may not be illegal, but nevertheless ethically unsustainable, we shall take criminal behaviour and the size of fines paid for transgressions as a first indicator of "concrete negatives". We shall later discuss other indicators.

10.3.3 Starting with Crime

One indicator of levels of illegal business practices is the size of fines and court settlements in the history of a given industry. In connection with the recent settlement between the US Department of Justice and J. P. Morgan, the Wall Street Journal ("Where J. P. Morgan's Settlement Sits in History of Corporate Fines". October 19, 2013) published a list of the biggest historical settlements: all in the US. While not giving an indication of general unethical behaviour and unsustainability, and saying very little about unethical or illegal behaviour outside the US, the list is quite revealing. The biggest settlement ever reached was between the five largest tobacco makers in the US (Philip Morris, R. J. Reynolds, Brown & Williamson, Lorillard, and Liggett & Meyers) and most of the American states, totalling $246 billion, in 1998, to be paid over 25 years. The biggest non-tobacco settlement is a fine of $25 billion in 2012, shared by financial giants Wells Fargo & Co, J. P. Morgan Chase Co, Citigroup Inc., Bank of America Corp. and Ally Financial Inc, paid in penalties and borrower relief over foreclosure processing abuse.

If we look at the remaining cases, several of the biggest fines have been levied on banks and financial services: The biggest individual settlement is the one between J. P. Morgan and the US Department of Justice, totalling $13 billion in 2013 (with Morgan still showing strong annual profits, even after paying the fine). A group of banks including Bank of America, Wells Fargo, J. P. Morgan and ten others in 2013 paid $9.3 billion to homeowners over alleged foreclosure abuses, after a settlement with the Office of the Comptroller of the Currency and Federal Reserve. Bank of America in 2011 paid $8.5 billion in a settlement with a group of mortgage bond holders, after also paying billions to various customer groups. In 2003 HSBC Holdings agreed to pay $1.9 billion to the U.S. over deficiencies in its antimony-laundering controls. It was then the largest penalty under the U.S. Bank Secrecy Act. In 2012 the UBS AG agreed to pay $1.5 billion for manipulating interbank lending rates. In 2003 a group of ten Wall Street firms including Goldman Sachs,

Morgan Stanley and J. P. Morgan had to pay penalties of $1.4 billion for conflicts of interest between their research and investment banking sectors.

While we can see that many of these claims have come in the aftermath of the 2008 financial crisis, the level of penalties and fines is quite astounding. At much the same level, but much less frequent, are some of the penalties in the oil sector. The $4.5 billion fine levied on BP in November 2012, for the Gulf of Mexico blow-out, was the biggest fine ever levied by the US Department of Justice, and it came in addition to paying victims $7.8 billion in damages and $42 billion for clean-up and settlement payments (In certain other countries oil spills and damages, even of a similar magnitude, might have been settled by bribery). In 1991 Exxon agreed to settle all public (federal and state) claims after the Exxon Valdez oil spill in March 1989, totalling $900 million.

Apart from the post 2008 penalties in financial services and banking, the most persistent contributions to the "worst-case-list" come, quite remarkably, from one targeted industry, pharmaceuticals: At the top of the list is the July 2012 settlement between GlaxoSmithKline and the US Department of Justice, amounting to $3 billion for illegal marketing of drugs and the withholding of safety data from U.S. regulators. In 2009 Pfizer Inc. pleaded guilty to criminal charges and had to pay $2.3 billion for illegal marketing of Bextra and other medicines for unapproved uses. In 2012 Abbott Laboratories pleaded guilty of criminal misdemeanour and paid $1.6 billion for illegal promotion of the anti-seizure drug Depakote. In 2009 Eli Lilly & Co paid $1.42 billion for improper marketing of the antipsychotic drug Zyprexa. In 2011 Merck & Co agreed to pay $950 million for illegal promotion of the painkiller Vioxx and for incorrect reporting of safety issues. In addition to these (having come up in April 2014, after the Wall Street Journal list was made), is the record-braking fine of $9 billion in damages, to be paid by Takeda of Japan and Eli Lilly of the US for hiding evidence of a link between their Actos diabetes drug and bladder cancer.

Outside pharmaceuticals, the Journal actually only lists two cases involving manufacturing firms: In 2008 Siemens agreed to pay $1.6 billion in fines and penalties to U.S. and German authorities for bribery in several countries. In 2009 Intel was charged with a penalty of $1.5 billion to the European Union for price fixing, in what was then the biggest antitrust case to date in the world. Intel controls 80 % of the international computer chips market.

What we see from these examples is that not all industries are created equal! The list is decidedly skewed. As mentioned, we cannot take the "worst-case-list" of penalties as a proxy for the general level of unethical behaviour, and we need to fill in with additional information. However, we can at least summarise that the biggest penalty has been levied on the tobacco industry, that the oil industry has had to pay for neglect and accidents, that the financial sector has been made to pay for criminal behaviour leading up to the 2008 crisis, and that the most persistent violator over many years is, by far, the pharmaceutical industry. But we also notice that no record fines have been levied on the oil industry for corruption abroad. Similarly, military armaments are not on the list, in spite of numerous cases of corruption.

While fraudulent behaviour in the tobacco industry had been going on for a long time, and while, interestingly, CSR seem to have been used as an instrument for defending and expanding criminal behaviour (rather than for improving the behaviour), we may assume that by now most people, at least in medium and high income countries, are informed about the dangers of tobacco smoking. We may note that the major issue in this industry was policies of cheating the public and the regulatory agencies on harmful side-effects, and also the deliberate policies of cultivating tobacco that would lead to increased dependency/addictivity.

The big fines in banking and finance are mainly in the aftermath of 2008, and while the court cases may have helped clean up the industry, we are not yet fully convinced. Much of what went on before 2008, seems to continue, sometimes in new forms. The rates of profits and bonuses are still extremely high. The main issue in this industry has been the overselling of risky investment and financial schemes. The troubled relationship between investment banking and government, what we might call (following Eisenhower) "the financial-regulatory complex" would never appear on this kind of a list.

Military supplies and the weapons industry are conspicuously absent from the list. That does not mean there is no trouble, as indicated for instance by the recent corruption scandal in Greece, where former defence minister (and a founding member of the Socialist Party), Akis Tsochatzopoulos in 2012 became the highest-ranking Greek official ever to be detained on corruption charges, accused of pocketing at least $26 million for Greece's purchase of submarines and missile systems.

Also absent is the food and beverage industrial chain. This does not mean that environmentally concerned people around the world are not concerned with the practices of a company like Monsanto. Where the underlying business interest is to sell chemicals as pesticides, there is reason to believe that engagement in gene modification, seed and pesticide patenting, and seed production and distribution will contradict the ecological interest in avoiding toxicity and also contradict a democratic interest in having farmers freely choosing how to make a living. Thus critical issues in the food and beverage industry overlap with similar issues in the pharmaceutical industry (where an underlying interest in parts of the industry is to sell chemicals as drugs).

We may also note that while oil firms are on the list, they are there mainly because of accidents, not because of corruption, "resource curse" and support of "cleptocratic" governments. The major issues have been accidents linked to production and transportation, and only when such accidents occur in the rich part of the world. Regular pollution in poor countries is not accounted for, neither are regular pollution problems and issues related to fighting against climate control.

Finally, "big pharma" seem to play a role in criminal business conduct way out of proportion to the size of the industry. Like the tobacco industry, the major issues are about cheating the public and the medical profession through overselling drugs, and also for using scientific methods and testing procedures for deceptive purposes and for coming around regulatory arrangements. Again, we may look to President Eisenhower and suggest the existence of a "pharmaceutical-regulatory complex".

We shall return to this particular "complex" below. We should, of course, also note that while other business segments barely make the list, it is easy to find everyday examples of misconduct and unsustainability (including construction).

10.3.4 Additional Issues in Five Branches

From the list of offenders, and from our comments about "concrete negatives", it appears that five industries in particular seem to deserve a close examination (weapons, oil, finance, food and pharmaceuticals). Among these, it seems that pharmaceuticals deserve an even closer examination.

What seems clear from the list of offenders, however, is that different industries get on the list for quite different reasons, and that some firms are off the list, even if we have tons of reports showing that they would score low on various measures of ethics and common good. This suggest that teaching about environmental and social sustainability, as something more and different from image management, needs to get behind the particular logical mechanisms and dynamics that drive their business models and that contradict the general workings of the "invisible hand": something categorical that undermines the conversion of private gain into common good.

Historically there are many indicators of gaps between common good ideals and the realities of the invisible hand. Starting with weapons and armaments, President Dwight D. Eisenhower spoke out about the "military-industrial complex" after having himself been trapped into a full confrontation (U 2 affair) with the Soviet Union, at a time when he wanted to depart as president with a peace treaty in his hand: evidently trapped by forces within the complex. We also note that international weapon sales have been a constant source of corruption, conflicts and dictatorship around the world. Where is the logical breakdown?

The invisible hand assumption is that weapons are needed for defence: weapons producers serve a national, common good interest in peace. The practical/political issue is, however, that if the basic drives for profit and growth in the industry are based on ever increasing production and sales of weaponry, to what extent does such an industry generally serve the interest of peace, and how can we assure that, given the enormous sums of the contracts involved, there is no collusion of interest between seller and buyer, and no economic benefits from corruption?

The Oil & Gas industry has for decades been notorious for pollution, corruption, "resource curse" and "cleptocracies" practices, and is increasingly at the forefront of climate/CO_2 issues. While the petrol station side of the business is assumed to be generally clean, the extraction side has been scarred by some quite extreme lawsuits. The invisible hand assumption is that oil and gas is essential to efficiency in nearly all industries and to the functioning of societies and individuals. The practical/political issue is that if the basic drives for profit and growth is based on ever increasing access to scarce resources, often located in non-democratic societies, to what extent can we expect high ethical standards in the dealings between the

industry and national institutions, and to what extent can we expect this industry to comply with a common good interest in reduced CO_2 emissions?

The food and beverages industry has for ages been infiltrated with small scale cheating and malpractice. In earlier times the mixing in of bad flour and bad fish or meat were the main problems. Recently, the list of problems has grown increasingly longer, hitting every stage of production, refinery, industrial production and distribution, with ever increasing lists of illnesses and obesity seen as end consequences of ever increasing lists of additives and pesticides.

The invisible hand assumption is that the provision of food is basic to human health and well-being, while the practical/political issue to be raised is that if the basic drives for profit and growth is based on ever increasing production and sales of food, at the lowest possible resource input prices and a maximal value added in processing and distribution, can we then expect farming methods and food processing to be environmentally friendly and the end output to be the healthiest food possible?

The financial services industry has for long periods of time been seen as a needed, harmless service. The "financial crisis" of 2008 opened the eyes of many people to both criminal and misplaced practices, with the biggest fines in history imposed upon companies involved. The invisible hand assumption is that financial institutions and banks are needed to create a balance between people's need for saving, spending and investment and to facilitate payment in all forms of trade. The practical/political issue is, however, to what extent will competition serve to drive down the mark-up (interest rates for deposits versus loans) in money markets and create a safest possible financing of housing and business?

The pharmaceutical industry has traditionally been seen as a "do good" industry, a classic case of the invisible hand providing for the good of society and the good of individuals. Even in this industry, there has in recent years been increasing attention to fraudulent business practices, scientific cheating and corruption. The invisible hand assumption is that medicines are needed to promote individual and public health (contrasting an old Chinese argument is that doctors should be paid according to the health status of the patient: The healthier the patient, the greater the payment to the doctor should be). The practical/political issue is that if the basic drives for profit and growth is positively related to the intake of medicine in a population (i.e. keeping as many people as possible on so many medicines as possible for as long as possible), such that more money is made the more medicine that is consumed, to what extent does such an industry serve the interest of health?

What we notice in all these cases is, first of all, the crucial role of public regulators and governmental purchasers (military): both in host countries (oil, food) and countries of origin and consumption (pharmaceuticals, finance). We also note that the problem issues mentioned go beyond particular incidents and accidents: the basic logic of prevailing business models seem to drive these industries towards conflict with the common good, unless being strongly regulated by independent and powerful regulatory agencies. We also notice that regulations in some of them (food, pharmaceuticals) is strongly dependent on advanced and costly independent research in order to do a proper job, or on strong, independent

judgment by expert counsel (military purchases, finance), and generally incorrupt government (oil).

Our next step is to examine one industry in some more detail, also considering more directly the business model issue, picking "big pharma" as an industry case. First we shall define what we mean by the term "business model" and what we see as essential elements of a business model.

10.3.5 A Business Model Defined

In "The Practice of Management" Peter Drucker (1954) claimed that a sound business model should answer the question of who the customer is and how value is created for the customer. A more recent source states that business models consist of "stories" that explain how the business enterprise works (Magretta 2002). Still other sources say that the heart of a business model is the "inner logic" of the enterprise, the way it operates, and the way it creates value for stakeholders (Casadesus-Masanell and Ricart 2010, p. 196–197), or it describes "the logic" of the enterprise in creating, delivering and capturing value (Osterwalder and Pigneur 2010).

We shall here use the following definition: "A business model is a verbal or visual representation of the inner logic and dynamic that allow an enterprise to create value for its stakeholders" (Knudsen and Flåten 2015). We may also consider some more general requirements such as a "customer value proposition" (defining how to satisfy customer needs), a "profit formula" (defining how to satisfy profit requirements), and also identifying resource needs and essential processes (Johnson et al. 2008). However, the essential requirement in our view is the existence of an inner logic and, where applicable, an inner dynamic between elements. As an example we may consider some of the elements of the Ryanair business model (Kay 2004, s. 198; Casadesus-Masanell and Ricart 2011):

The use of regional or "number 2" airports lead to lower airport costs
Low travel agency commissions rates reduces costs
The standardisation of the fleet adds negotiating strength versus aircraft producers and lead to lower procurement costs and lower maintenance and service-costs
Only one passenger class allows for economies of scale
Personal incentives and options to employees attract talent
Nothing for free on board provides for «ancillary revenue»
A modest headquarters saves cost and reduces risk
A non-union human resource policy allow for flexible use of employees
Low cost allows for lowest prices in the market

Dynamic elements are also added:

Low prices lead to greater volume and economies of scale

Greater volume allows for added ancillary revenue, improved bargaining power, reduced investment costs and maintenance costs, which in turn lead to lower prices, which again drives a new cycle of growth

There are elements of this model (such as non-unionisation) that may seem repulsive to some readers. Our point is not to sympathise with any given policy, only to demonstrate that the model is one of the most logical consistent in the market and it fits perfectly with the requirements of the invisible hand assumption. Ryanair has become the largest and most lucrative airline in Europe, serving more passengers than any other airline.

10.3.6 The Hidden Business Model

A recent collaborative research project between scholars from Kazakhstan and Norway, focusing upon transparency and corruption issues in the oil industry, brought up a surprising interview response from a prominent Kazakh investor: Don't look at the (resource based) wealth generators: look at the (public) spenders; don't look at the oil sector: look at why our hospitals pay quintuple prices for medicine! We have decided, in this chapter to follow his advice by focusing on predominant business models in the pharmaceutical industry.

There is a long list of indicators that the prevailing business models in the industry are unsustainable and in need of an overhaul, but we have not seen convincing arguments that it really will happen. A strong indicator that change is called for is the fact that major consulting firms for a long time have lined up to state the need for å new business model in the pharmaceutical industry: business model development might be very lucrative if change indeed were to happen.

An early call for a change of business model touched upon a basic ingredient in the prevailing models: the "blockbuster mentality" (aiming to sweep multi-billion dollar markets for standardised solutions to widespread illnesses, such as cardio-vascular and cholesterol, diabetes II, depression, and anxiety) coupled with "me too" strategies (near-copying existing medicines with a small, patent-able and brand-able variation) (Gilbert et al. 2003). Much of the literature on the troubled future of the "big pharma" business model, takes a pro-business stand, expressing concern over (potentially) falling returns on investments. Given that this industry for decades has outperformed just about any other industry in terms of profits, wages and bonuses, falling profits should be seen as normal and as a sound market reaction.

Our concern is more with the social impact of present practices and with the gap between "the apparent business model" and the "nominal" commitments to improving health and relieving suffering on the one hand, and "the hidden business model" and the real commitment to profit and lavishness at the expense of the public and patients on the other. The term "hidden business model" was coined by Donald W. Light in a warning to Harvard Business Review subscribers that they are

wasting billions of dollars on "ineffective, even harmful drugs in their health plans": both because the drugs are ineffective, overpriced, and creating harmful side-effects that in turn create a need for even more overpriced and ineffective drugs (Light 2012; Light and Lexchin 2012).

While there have been innumerable claims that the blockbuster strategy would fail in the long run, as patents ran out and innovation became more and more expensive and less and less effective, even in 2014 the lists of bestselling drugs look pretty much as before, and for those who are critical of the present business model, that is not good news.

So what are the internal logics and dynamics of this "hidden business model"? Not all the elements of the model are created by the industry, although they are all influenced by it. An important role in the model is played by regulators, notably the Federal Drug Administration (FDA) in the US: but also by similar institutions in other countries, often more or less automatically accepting the results of American testing and approval. The main elements and strategies of the model are, however, fully in the hands of the companies.

The following are what we see as some important historical premises. The take-off of the industry, in terms of growth and profit, came as a result of the identification of huge areas of real and potential sickness (reflecting increasing claims of "over-diagnosis" of patients) that came to be seen as treatable, starting in the 1950s and 1960s (following among others the discovery of penicillin and the first generation of what has been termed the psychopharmacological revolution). While penicillin definitely represented a step forward, the talk of a revolution in the treatment of mental illness seem to have been premature. Yes, mental patients became quiet and were released from hospitals, but the "revolving door" effect soon brought them back. Actually, compared to "before revolution" results, fewer people suffering from illnesses such as depression and anxiety, and treated with the most popular modern medicines, return to a normal family and work life, than before the so-called revolution (Whitaker 2010). Perhaps psychiatry, and depression in particular, has been the target of the worst "attacks" by the pharmaceutical industry (Greenberg 2010; Moncrieff 2009; Whitaker 2002). However, in many other areas, such as diabetes II, cancer and cardiovascular diseases, the benefits of the drugs seem to have been grossly exaggerated, negative side effects under-reported, and the real causes of the illnesses often badly identified, underrepresenting the need for lifestyle and food-choice changes (except, of course, for stopping smoking) (Angell 2005; Peterson 2008; Moynihan and Cassels 2005; Abramson 2004; Virapen 2008).

The heart of a blockbuster strategy is to get regulator approval for a patented and brand-able "new" medicine, and to put the main effort into developing such medicines, either as a "first out with a new generation" strategy (such as the SSRI-generation of psychopharma) or as a "me too" strategy (such as coming up with a statin number x).

Getting FDA/equivalent acceptance has become very expensive (Under pressure from Aids lobbyists, pressuring for increased speed in the examination of new Aids medicines, the Reagan administration—instead of increasing FDA budgets to expand capacity, made the applicants pay a high fee, thereby being able to add

more staff. The cost of running a full evaluation process is normally in the $100–200 million range). High costs of product evaluation tend to keep out small competitors and stimulate acquisitions, thus driving monopolisation. It also makes it uneconomic to seek approval for cheap remedies and for infrequent illnesses—further driving monopolisation and blockbuster strategies. In order to have a new medicine accepted, applicants do not need to show that it is better than existing medicines, only that it is better than a placebo. A great effort therefore goes into convincing the regulators that the new medicine is in fact better than placebo.

The preferred scientific method for proving the effect is the so-called "double blind test", where neither the patient nor the doctor/researcher administering the process are supposed to know whether or not the patient receives the real medicine or a placebo. Double-blind research designs have become a mantra in the industry, and for a majority of doctors a kind of final scientific proof. There are many ways to lie about statistics, however, and they all seem to be in the toolbox of the predominant business model.

The doctor/researcher is required by law to inform the patients about likely negative side effects (such as dryness in the mouth, feeling of nausea, upset stomach, or bad sleep). Therefore, patients who experience such side-effects will "know" that they are receiving "the real thing" and step right into the placebo trap. According to world-leading expert on placebo-effects, Irving Kirsch, meta-research on placebo effects of anti-depressives, show that, controlling for such "active placebo" (sometimes called nocebo effect, meaning that patients respond positively to otherwise harmful effects of the drug), such drugs have no net benefit (some patients report they feel better, others that they feel terrible), and that psychological treatment, such as cognitive therapy, outperform all drugs (Kirsch 2010).

Double-blind research designs normally include the testing of a new medicine on large, and scattered populations, which in itself is positive. The negative side is that the companies do not have to report all results, they are allowed (unless requested to submit all results) to only submit some of the test scores, and these are not required to be chosen randomly. In other words, a medicine may be approved even if testing in other locations show negative results. The companies are responsible for testing their own products, which result in a conflict of interest. In order to increase the likelihood of positive test results they may choose to exclude from the testing patients with expected adverse reactions, such as people with more than one health problem, and sometimes women, children and minorities.

Many studies run only for a few weeks, enough to show the benefits, if any, but not enough time for negative side-effects to show up. In the treatment of cancer, a standard measure of result is survival after 5 years. However, with improved early cancer diagnostics, a person may not live longer than before: still the statistical survival rate will have gone up. Regulators often fail to distinguish between statistical results and clinical results. If patients are tested on a 40-point depression indicator, there will be a significant statistical result if sufficiently many patients have an average score of (say) 32 when using the drug as opposed to 30 without using the drug. However, no doctor would be able to see the clinical difference in

the patient. Beyond the research methodology itself, pharmaceutical companies use a wide array of marketing and promotion to influence the regulators directly.

The probability of having a new drug accepted by regulatory agencies is influenced by reference to scientific publishing, journal articles presenting findings that the drug is effective and harmless, in particular articles in the most prestigious scientific journals. The probability that such articles will influence the regulators is higher when the authors hold prominent academic positions or prominent positions in prestigious hospitals: more so than if the authors were sales people hired by the applicants.

In order to get around this, the pharmaceutical industry is notoriously using professional "ghost writers" to write up research results in very positive terms, and having doctors or administrators sign in as "authors". These "authors" are then paid a certain amount, and having your name on a sufficient number of "scientific" articles also helps your career promotion. The practice of "ghost writing" is unheard of in other scientific disciplines, and in some cases a majority of the supporting articles in pharmaceutical research is a result of the practice. Reviews show persistently that research done by the companies and research articles written by "ghost-writers", are significantly more positive in their evaluation of new drugs than reports written by independent, academic researchers.

Given that the FDA is insufficiently funded and is relying on applicant payments, and that many FDA employees are recruited from the pharmaceutical industry, have side payments from the industry, or eager to seek a job in the industry, they are often less critical of received information than they ought to be. The pharmaceutical industry, in spite of litigations and sometimes negative publicity, still enjoys considerable status as a research intensive, innovative and science-based industry. This is very important for its "hold" on regulatory agencies and even on doctors. This "hold" is largely based on a myth, however. High innovation costs are said to be the main reason for high prices: thus legitimising high prices. Innovation strength is also claimed to be the main reason for high profits: legitimising a generally high level of profits, affluence and inefficiency in the industry.

According to the independent French bulletin, La Revue Prescrire, only 12 % of new drugs brought to the market in France in the 1981–2001 period represented therapeutic advantages. In the 2002–2011 period, out of a total of 946 new drugs, only 2 (0.2 %) represented some kind of a breakthrough. About 8 % represented some degree of real therapeutic advantage, while 54.7 % added no medical value, and 15.6 % represented more risk of harm than benefit (Editors 2012). The industry claims that innovation costs have become unsustainable. However, investment in true, patient-friendly innovation has been going down, while the costs of marketing and advertising, often camouflaged as some kind of development costs, have been going up. Revenues have increased six times as much as the cost of the research (Light 2012).

Enormous efforts have gone into influencing medical schools, professional conferences and seminars, doctors' further educational programmes, visit to doctors' offices, academic research institutes, etc: in the end influencing what

medicines doctors prescribe. A trend towards ever new diagnoses (such as in psychiatry) means that ever new "targeted" medicines have to be developed all the time: way beyond the capacity of the firms to do real "targeting". A trend toward over-diagnosis in traditional areas of illness, such as hypertension, where the industry constantly pressure for lower safety limits and earlier medication, means that more medicines will be sold to people previously seen as healthy. In the distribution of all medicines, the potential gains in health should be balanced against the potential negative side effects. Over-diagnosis means that medicine will be sold to patients who do not need them, and that the negative side-effects will tip the balance in the direction of a net negative effect, making us all sicker (Welch et al. 2011). Over-diagnosis also initiates processes of "cascading", where the use of one drug produces side-effects which again create a need for one or more additional drugs to deal with the side effects, which again cascade into a need for still more drugs (Welch et al. 2011).

The end result is that the pharmaceutical industry is still exceedingly profitable, while it is now estimated that prescription drugs in the US have become the 4th leading cause of death and a leading cause of hospitalisation, accidents and falls. Even so, former FDA commissioner David Kessler has estimated that only one percent of serious cases of side-effects are reported to the FDA (Light 2010). In addition, more "innocent" side-effects every year cause considerable patient suffering and enormous losses of time and money.

10.3.7 To Summarise

We have been challenged to discuss issues of sustainability and non-sustainability relevant to business schools and the teaching of management. While sustainability is often seen as mainly an environmental issue, and lately more narrowly as a climate issue, we have argued that the environmental concern includes more than climate effects, and that sustainability generally should include both environmental and social concerns. The review of the concept of common good was instrumental to show two main features. First, while there are many and different interpretations of the idea of common good, it seems that human flourishing has the characteristics to represent the current shared understanding across borders of the concept. Second, since human flourishing is an open concept, it needs be carefully employed in order to avoid despotic turns. Therefore, rather than imposing it as a moral absolute, we avoided any specific positive definition and we rather focused on concrete negatives as guidelines for an analysis based on defective practices.

Our general concern is with the gap between nominal values (including CSR statements, value statements, mission statements and generally all kinds of tools and instruments for impression management) on the one hand, and the reality of practice and true impact on the other: between theory and practice, story and embodiment. We have done so by highlighting issues of concern in five industries, with a particular emphasis on the pharmaceutical industry and predominant

business models in that particular industry. Big pharma on the one hand has enjoyed recognition as a life-saving, "do-good" type of industry. On the other hand, no other industry has been so chronically involved in criminal action, corrupting regulatory agencies and educational institutions, and lying about scientific results.

We have linked the sustainability issue to the teaching of business ethics, and to notions of a common good, of corporate social responsibility and stakeholder theory, and we have pointed out the need to bring social and environmental sustainability into mainstream course-work in the business schools. At the same time, we have also expressed awareness that mainstream coursework normally does not go very far in the direction of critical thinking about sustainability, unless it is related to some conventional, analytical management issue. Typically, there are a great number of business cases in use, including a large number from the pharmaceutical industry, which never touch upon the critical issues raised by our presentation of the "hidden business model". Mostly, the issue is defined as a "how to": how to market a certain product, how to manage a certain innovation process, how to define a new human resource policy.

Our experience is also that, when bringing in the larger, critical issues, students tend to be a bit shocked ("does he really mean it", "is it really that bad"?). This tells us, first, that for the teacher there is a great deal of pressure to conform: to teach textbook presentations in a conventional manner, and also that it takes a great deal of pedagogic inventiveness to present critical material in such a way that students will engage in reflective thinking. Secondly, in order for ethics and sustainability concerns to have an impact on later practice, the choice of pedagogical solutions is important ones. Mostly, ethical comments and sustainability examples will be perceived as no more than "spices" in an otherwise mainstream diet.

10.3.8 Three Levels of Engagement

At one level, both ethical issues in general and sustainability issues in particular are largely overlooked. We believe that this is not normally the case, and we shall assume that a first level of engagement includes individual professors bringing up relevant ethical and sustainability concerns in their ordinary teaching. We also believe that this sometimes can be extremely effective in terms of student engagement and learning. The pedagogical impact can be reinforced by having students write term papers and reports, where ethical thinking is required. The impact may also be increased by adding a substantial interdisciplinary component from the humanities and social sciences to business curricula, including not only dedicated ethics courses and sustainability or CSR courses, but also general philosophy and ethics as well as political theory and different international relations classes. This passage will not water-down the skills based component of a business degree; it would rather open it up to critical thinking and reflective knowledge.

The downside of this is that such inputs may be perceived more as "spices" than as main content. The students end up as "business graduates" and they enter work

life with an anticipation of normal careers and money-making as superior goals. At a higher level of engagement, there are universities and schools that offer specialised programmes, dedicated to business ethics and sustainability issues, or similar. At the University of Agder we have experience with a "Development Study" as a parallel to the business study. It all started with the offering of "development seminars" taught by an English geography professor, in the late 1970s. In 1985, with external financial support from the Norwegian Agency for Development Cooperation (NORAD), a 1-year "Development Study" was started. The new programme attracted excellent students, highly motivated and talented. Gradually the programme was expanded to offer both a bachelor degree and a master degree, and the curriculum has been expanded from focusing mainly on development issues, to also include sustainability and climate issues.

While this solution, and similar solutions at other universities, definitely are of high value, the learning impact on regular business students may be modest. By most business students, the "Development Study" is seen as just another offering, on par with engineering or humanities. Efforts to motivate business students to take development courses as electives have had very little impact on student choices. Development studies are not what they are here for.

At a still higher level of engagement we find business schools that choose sustainability as a brand marker. Several different rankings have appeared over the last few years. One such ranking, by *Bloomberg Businessweek*, asked 2012 graduating MBAs, in an on-line survey, to rank their institution on several specific aspects of the business programme, one of which was performance in the area of "green business and sustainability offerings". It turned out that the "green" indicator provided the most variance among the schools, with some schools offering very little while others offering excellent programmes. At the top of the list was University of Michigan's Ross School of Business, host to the Erb Institute for Global Sustainable Enterprise. In the second place was Cornell's Johnson School of Business. Other top performers were University of California Haas School, Yale Business School, the Erasmus School of Rotterdam, and at MIT the Sloan School. Of course, such a ranking depends on which institutions are included in the survey.

A broader, international survey was done by the Corporate Knights Magazine, ranking the 30 top business schools in a "Global Green MBA" survey. They found that four of the top ten schools were Canadian. Two American, two British, one Danish and one South Korean school made up the remaining top 10, and 11 countries were represented on the list of the top 30.

Clearly, the determination to build a green and social sustainability profile of a business school, so that sustainability becomes what the school will be known for, requires both a very strong leadership engagement, but also the support of staff and students. On the other hand, in order to have an impact on students and society, it would seem that such level of commitment is needed. If the impact is to be anything more than a "spice effect", a new culture has to be built. In the same way as some business schools shine as finance oriented, there are schools that excel by specialising in creativity and innovation, human resource management, or some special industry like oil or forestry. Building a reputation and a brand name around

sustainability is equally relevant. Both professors to be hired and entering students will know what the school stands for, which will make the teaching of critical topics, and spending time doing research in these areas much more plausible.

On the other hand, even teaching at this high level of commitment provides no assurance that the troubled aspects of making eco-business popular and profitable, as pointed out by Dauvergne and Lister (2013), are properly dealt with. Business schools are expected by broad stakeholder interests to provide an education that is relevant to the business community, and they will always be under some pressure to be apologetic in the choice of topics and teaching and research approaches.

10.4 Conclusion

It should be noted that social and environmental sustainability is not just about stopping bad practices, but also about being creative and innovative in coming up with solutions that will have a positive impact on both the social and the natural environment. The two sides to sustainability have often led to breakdowns in communications, where hardliners on the one side only see "limits to growth" whereas hardliners at the other extreme see no problems ahead: all problems will be solved in due time through technological innovation. Even for those who seek a more balanced view, it may be hard to see just how critical the situation is, and just how important it is to speak out and enact radical changes in production and consumption. It is also hard so say just how much sacrifice should be accepted today in order to bring about a better future for our grand-children and for the grand-children of people in poor countries. Table 10.2 brings together two dimensions, the distinction between stopping bad practice and supporting good (innovative) practice, and the distinction between improving the present situation and improving a future situation.

Since our thesis in the present chapter has focused mainly on the first (present x stop bad practice) quadrant, and most sustainability concerns tend to be located in the second (future x stop bad practice), we see a need to highlight the last two quadrants. Only repeating what is bad will appeal to some students some of the time. In order to count in all students, we believe all quadrants should be covered. Former Vice President Al Gore recently claimed that we are winning the struggle for sustainability (Gore 2014), pointing in particular to the growth of alternative energy provision. Large technology areas that have been a long time in the making, such as new materials built on nano-technology, and entirely new methods of construction and production have been developed, built on such robotic technologies as 3D printing or additive manufacturing (AM). While "The Limits to Growth" focused on exponential growth and exponential exploitation and pollution, we should be aware, and communicate to students, how exponential growth in knowledge, particularly over the last few decades, is now presenting us with unprecedented intellectual resources, with unprecedented opportunity for both social and profitable entrepreneurship (Diamandis and Kotler 2012). This prospect did not

Table 10.2 Where is the problem?

	Present challenges	Future challenges
Stopping bad practice	Setting limits and establishing regulations, mobilising consumer and citizen protest Example: issues in the pharmaceutical industry as exemplified in the present chapter Auditorium challenge: highlighting issues, building awareness and competence	Setting limits and establishing regulations, mobilising consumer and citizen protest Example: how to reduce CO_2 emissions from fossil fuels and how to prevent a methane and clathrate "blow-outs" as a result of gradual heating of oceans and permafrost areas Auditorium challenge: building awareness, balancing optimism and pessimism
Reinforcing good practice	Exploiting present knowledge and present technologies through innovation and entrepreneurship Examples: newly available energy forms, such as solar, wind, and wave energy, exploiting nano-technology for filtering and de-salinisation Auditorium challenge: bringing students up-to-date on new, available technologies and entrepreneurial efforts to exploit them	Stimulating basic research and reinforcing exponential growth in knowledge Example: relevant in all areas of basic research (farming, medicine, nano-science, and informatics) Auditorium challenge: adding information and stimulating up-front innovative thinking

emerge by chance, but through investments driven by a combination of profit opportunities and social concerns channelled through the political system. Notwithstanding the uses of CSR as an image-cleaning marketing strategy, the concept of common good, when translated into practical arguments and issues like sustainability, has shaped business markets and directions (more than business practices) more than is recognised.

However, as shown in the present chapter, we are still not finished, and most likely we will never be, with the first quadrant. Whether the issues is corruption in the sales of weapons, criminal and unethical practices in the financial sector, corruption in the battle for oil exploitation concessions, hazardous practices in farming and food processing, or criminal and unethical policies and business models in pharmaceuticals, we need to create business school environments that encourage critical and reflective thinking.

Generally, we have the impression that students are interested in and capable of ethical reflection. Without necessarily defining news issues and political debates in ethical terms they bring "life-world" experience (Habermas 1981) of ethical standards and "right and wrong thinking" into the classroom. What they have very little experience with, is to use their capacity for critical examination of relevant business practices.

In order to bring about a major change in the student-life experience, we believe we have to move beyond the first levels of engagement, as exemplified in the

discussion section above. We are impressed with the mission statements and actual profiles of business schools that have chosen to build their brand names around sustainability and ethics. In a better world, such branding would be standard in our educational communities.

Anyway, we think that this is the first step. In order to have a proper curriculum that covers all four quadrants, one specialised ethics course and a few courses on new technologies and sustainable development may not be enough. A global business programme needs to recognise, reflect and (maybe) shape the environment into which it operates: in order to be able to do that, other than adding a scientific-technological component, it needs to broaden itself to cover, at least to the level of creating the possibility of a dialogue with other disciplines, some of the aspects that are usually proper of a social sciences programme: social and political theories and international affairs. In a system of global sustainability challenges and technological opportunities, markets may end up being directed by theories that are able to capture and propose interpretations of the common good. The language of business schools may be changing soon.