



Intersections

Highlighting work at the intersection of business and society

Business and Climate Change

An Interview with Professor Anant K. Sundaram

by Carolyn Zern T'09

Professor Anant Sundaram is a member of the finance faculty at Tuck, with expertise in corporate valuation, mergers and acquisitions, corporate governance, and financial strategies for profitable growth. Recently his interests have broadened to examining the financial impact of climate change on companies. Sundaram works with senior executives on how their financial fundamentals and performance metrics drive market values and P/E ratios and has led directors' forums on corporate governance. He has published widely in law, finance, and management journals.

This past spring you taught what might be the first MBA-level course in a U.S. school on business and climate change. Can you tell me about reaction at Tuck?

It was impressive to see the extent to which the topic of climate change resonates at Tuck. I am already convinced of the importance of the issue; I believe that the careers of today's MBAs will unfold in a world in which there are enormous business implications resulting from a price on carbon, implications that we are only just beginning to understand. But I couldn't be sure that others would feel the same way. Not having offered it before, I was hoping that a couple of dozen students might be interested. Over a hundred students signed up. In retrospect, I realize I shouldn't have been that surprised, given the deep involvement of Tuck students on issues involving corporate citizenship.

The class followed research you conducted on the "fossil fuel beta," which can be seen as a

risk-management tool for CEOs and CFOs. Is risk management a reason for businesses to care about climate change?

I was initially intrigued by whether and how changes in prices of fossil fuels affect a company's share price. I created the "fossil fuel beta"—now used by *CFO* magazine to score companies—as a simple, verifiable metric to capture the risk exposure of a company's excess returns to fossil-fuel price changes. However, it led to a much broader framing of the issue. Although risk management is an important aspect of this, it is really more about understanding the impact of climate change on the value of the entire business. Value, in turn, is a function of revenue, costs, investment spending decisions, and cost of capital. We thus have to understand and articulate how climate change impacts these four crucial fundamentals.

Is climate change a passing fad?

I don't think it is a passing fad at all. Given how long-lived the cause-effect chains are between carbon emissions and climate change, and given the carbon-inefficiency of where global growth is expected to come from in the future, such as in China and India, this issue will be with us for a while. Moreover, given the scale of investments required for innovations and technologies to "decarbonize" the world economy and yet preserve its growth potential, the opportunities are huge for those who get in front of it. I believe the costs are going to be equally huge for those who fall behind.

Let me give you just one example that should get

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Making an Impact

Class of 1976 Allwin Community Service Award



The Class of 1976 Allwin Community Service Award was created by Tuck alumni to honor their classmate James Allwin, who passed away in 2007. The award recognizes Tuck students or recently graduated alumni who embody Allwin's values of commu-

nity service, with a preference for students pursuing a career in the nonprofit or public sector. The award is also a reminder of how Allwin, a successful businessman, used his skills, time, and resources to make a difference in the lives of those in need.

This year's recipient is Brad Lang T'09. Before attending Tuck, Brad was a member of the Peace Corps in rural Kenya, where he focused on microfinance and public-health projects. As a first-year student at Tuck, he used his business skills to work on a corporate social responsibility project in Nicaragua with Green Mountain Coffee Roasters. A 2008 summer internship with the Aquaya Institute, a nonprofit dedicated to reducing waterborne diseases, gave him the opportunity to return to Kenya and led to a full-time position with Aquaya. Lang was very active at Tuck and in the Upper Valley community, serving as a board fellow for LISTEN Community Services, a local nonprofit; as a member of the Allwin Student Roundtable; and as a leader in the Tuck Net Impact Club and Tuck Africa Initiative student organizations. "My plan is to spend my life working in international development, either through the nonprofit sector or through private-sector initiatives targeting the developing world," Lang says. "There is significant room for improvement in international-development sector operations and a tremendous opportunity for applying the lessons and skills developed in business school."

"Is Capitalism Sustainable?"

The Seventh Annual Business & Society Conference



How can capitalism encourage environmentally friendly behavior? What are leading managers doing to adjust their company's actions in a resource-constrained world, particularly during the international financial crisis? The two-day Business & Society

Conference presented questions, solutions, and opportunities from panel experts in economic theory, energy, government policy, and sustainability. Panelists discussed elements of capitalism and recommended that government regulation, increased cooperation among all stakeholders, and transparency in markets are essential counterbalances to current economic problems. Panelists also provided examples of successful cooperative partnerships between regulatory bodies and stakeholders, as well as successes in consumer engagement strategies and reductions in resource use. In today's economic climate, businesses are facing ever-harder decisions. As conference chair Carolyn Zern T'09 said, "As profits fall across industries, where do resources get allocated? I believe those organizations that are able not only to survive in the short term in this economy but also to incorporate the environment and community in their decision-making process for the long term will ultimately face less business risk. I believe they will determine the way business is done in the future."

Read the conference summary report on the Allwin Initiative's website at www.tuck.dartmouth.edu/initiative, under News & Events/Conferences.

Racial Insensitivity in the Workplace An Ethics Case



The subject of racial insensitivity in the workplace was a true-life ethical dilemma written as a case study by students for Professor Aine Donovan's Ethics in Action course. The case examined an ethical problem faced by the Eaton Corporation in its dealings with a key business partner. The students' case won first place in the LMU/EOA Intercollegiate Business Ethics Case Competition, held at Loyola Marymount University. A week after their trip to Los Angeles, which was funded by the Allwin Initiative, the students presented the winning case to the Tuck community along with Sandy Cutler T'75, Eaton's chairman and CEO. Cutler described the case's outcomes and Eaton's corporate culture. Eaton's actions serve as an example of how to implement codes of ethics, provide support for managers, give managers the authority to take action, and create a culture in which they are free to discuss ethical dilemmas with colleagues.

T'09 Team Members: Andrew Bunton, Caroline Newcomb, Rama Oruganti, Manish Tangri, and Dan Weinstein.

Sustainable Livelihoods in Nicaragua

An Allwin Initiative Summer Internship



The work of coffee producers across the globe can be characterized as labor-intensive and marginally profitable. In Nicaragua, as in many countries, coffee is often the only cash contributor to the livelihoods of small-scale coffee-farming families. If coffee prices are reasonable, most families survive, although plagued by annual periods of food insecurity. If coffee prices plummet, families have historically been vulnerable to severe food insecurity and even famine. T'10 Alex Figueroa's summer internship was part of a food-insecurity project developed from the ground-up to demonstrate that families can improve their livelihoods and become more food secure. Figueroa's internship was supported through the partnership of Green Mountain Coffee Roasters and the Allwin Initiative, with a generous donation from T'73 Gene and Mary Hornsby.

Read T'10 Alex Figueroa's blog on the Allwin website.

Foundation for Healthy Mothers and Babies in Kosovo

An Independent Study



Four second-year students developed a strategic marketing plan for the Foundation for Healthy Mothers and Babies (FHMB), a recently established international nonprofit. The organization, dedicated to improving medical care for newborns and pregnant women, is built upon the work of a Kosovo-Dartmouth Medical School alliance. Situated in the former Yugoslavia, Kosovo is a young nation with an infant mortality rate of 20 in 1,000—four times higher than the European average. The project included two components: first, helping FHMB develop an identity, which included a strategy for how to communicate to potential donors, including the Kosovar people and the ethnic Albanian diaspora; and second, advising FHMB about best practices and potential pitfalls, based on studies of comparable nonprofits.

T'09 team: Patrick Coady, Hadley Fuller, Brad Lang, and Lisa Rockefeller, advised by Professor John Vogel

International Business, Conflict, and Human Rights: Good Intentions Are Not Enough

An Allwin Dialogue



In the spring term, Salil Tripathi T'85, policy director at the Institute for Human Rights and Business, shared his more than twenty years of human-rights work in a presentation and in individual meetings with Tuck students. In his talk, Tripathi cited the differences between corporate social responsibility, or optional actions, and human rights, or required obligations, and described the "red flags" of human-rights abuses that should alert managers to potential legal risks. He stressed that executives can be held liable; ignorance of international laws is not a defense.

Listen to T'10 Erin Henry's interview with Salil Tripathi on the Allwin website under News & Events/Visitors.

Communicating Strategic Community Investment

A First-Year Project



The T'10 First-Year Project (FYP) team of Sarah Donnell, Marvena Edmond, Kacy Gambles, Erin Henry, Lydia Kuo, and Michael Stallworth produced a resource guide to aid the Gap Foundation's strategic goals in corporate social responsibility and community investment. The foundation wanted to develop a targeted marketing effort highlighting its new focus on social investing but did not have a marketing budget to do so. It requested that the Tuck FYP team build a cost-efficient communication strategy and operating model that would inform customers of its community investments. The process guide produced by the team will supplement the foundation's branding project by creating consistency and support for internal and external marketing efforts.

Listen to T'09 Kelly Cutler's interview with Bobbi Silten, Chief Foundation Officer, on the Allwin website under News & Events/Visitors.

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CEOs' attention. The S&P 500 group of companies alone annually emits 3 to 4 billion metric tons of greenhouse gases. If a cap-and-trade system results in a \$20/ton price for CO₂, these companies have to sign an annual check for \$60 billion to \$80 billion. Capitalized at an 8 percent cost of capital and as a level perpetuity, that is a \$750 billion to \$1 trillion contingent liability (pretax). This is almost one-tenth the current market value of the S&P 500.

Tuck's Allwin Initiative and corporate sponsor Waste Management are hosting the second annual Executive Environmental Sustainability Forum this fall. Tell us about it.

The theme of the 2009 forum is corpo-

rate sustainability practices and shareholder value. We know that the effects of corporate use of natural resources are far-reaching. The forum will focus on determining whether the companies' environmental initiatives are linked to and justified by financial performance and share price.

The forum is about facilitating learning from each other and bringing insights into the Tuck classroom and research. Our hope is that this dialogue will become an annual event with a regularly returning consortium of leading companies, and that Tuck will be at the forefront of shaping the corporate conversation on how "doing good" and "doing well" can go hand in hand.

Tuck GIVES

Tuck GIVES (Grants to Interns and Volunteers for the Environment and Society) was created to help nonprofit and public-sector organizations afford the skills of an MBA intern. In April 2009, the eighth annual student-run auction raised over \$46,000 toward support for 17 summer internships.

Tuck GIVES 2009 Summer Interns

Rodrigo De Haro T'10	<i>Global Impact, Washington, D.C.</i>
Helen Ding T'10	<i>Global Impact, Washington, D.C.</i>
Elise Emmons T'10	<i>U.S. Department of Housing and Urban Development, Washington, D.C.</i>
Amina Ferrouillet T'10	<i>U.S. Department of Housing and Urban Development, Washington, D.C.</i>
Chip Franklin T'10	<i>Education Pioneers, Boston, Mass.</i>
Wei Fu T'10	<i>The Nature Conservancy, People's Republic of China</i>
Meredith Giersch T'10	<i>Citizen Schools, Boston, Mass.</i>
Ryan Guest T'10	<i>New Sector Alliance, Boston, Mass.</i>
Anwer Khan T'10	<i>Global Impact, Washington, D.C.</i>
Carolyn Maezes T'10	<i>Student Conservation Association/National Park Service, Idaho</i>
Yeny Malaver T'10	<i>International Finance Corporation/World Bank, Washington, D.C.</i>
Aaron Mihaly T'09	<i>Ashoka, Brazil</i>
Mariana Moreira T'10	<i>Acción Emprendedora, Chile</i>
Karl Reichstetter T'10	<i>Center for Resource Solutions, San Francisco, Calif.</i>
Marcelo Reynal Morande T'10	<i>Acción Emprendedora, Chile</i>
Alex Rosati T'10	<i>Small Enterprise Growth Fund, Brunswick, Maine</i>
Arathi Seshagiri T'10	<i>GlobalGiving, Washington, D.C.</i>



About the Allwin Initiative for Corporate Citizenship

An interconnected globe, shifting ideologies, and the changing role of governments have made business a significant agent of transformation. Business knowledge can be applied to community needs and world issues. It can work across sectors to develop solutions. The opportunities are endless. The Allwin Initiative aims to prepare Tuck students for decision making and leadership in this increasingly complex, interconnected world. We work to ensure that the changing issues at the intersection of business and society are a key component of our MBA education and a part of Tuck's broader scholarly activities.

Allwin Initiative for Corporate Citizenship

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