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COUNCIL on BUSINESS & SOCIETY

GLOBAL VOICE MAGAZINE

N°37

THE POWER OF INFORMED OPINION

Research insights for a better,
more objective world



Why Extreme Work
Hours Persist
in Professional
Service Firms

The Anatomy of
Loving your Work

How Global
Supplier Networks
Shape Corporate
ESG Controversies

Labour-Leadership
Disconnect in
South Africa

When Relationships
Shape Ethics at
Work

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/EDITORIAL

In Jorge Luis Borges's *The Library of Babel*, the universe takes the form of an infinite library, which contains every possible book. Somewhere within its immense, endless galleries lie all truths – but also every error, every distortion, every contradiction and every conceivable falsehood.

Writing in 1941, long before the internet, social media or artificial intelligence, Borges already had a prescient image of our own times. Never before have we had access to so much information. Data accumulated over centuries is now immediately available. Yet abundance creates its own problem. If data is everywhere, how do we know what deserves to be believed?

This is where research matters.

Research provides us with rigour, with methods for distinguishing evidence from assertion, correlation from causation, knowledge from conjecture. Research asks us to formulate questions carefully, confront our assumptions with facts, test explanations, while acknowledging our limitations. Furthermore, research, as a never-ending endeavour, challenges us to be open to revise our conclusions. In other words, research helps transform opinion into informed opinion.

Borges imagined a universe in which every possible book had already been written. A world in which information had become almost limitless, while our time, attention and capacity for judgement remained decidedly finite. Our challenge today is different, but strangely similar. The answer cannot simply be more information. It must be better questions, stronger evidence, rigorous research and the intellectual humility to change our minds in the face of new evidence.

The pages that follow offer research insights from across the Council on Business & Society. We invite you not simply to read them, but to question them, discuss them, confront them with your own experience and, ultimately, use them for the common good.

Because the purpose of actionable research is not merely to help us know more about the world.

It is to help us to make it better.



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Words in Sentences



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Words in Sentences

/CONTENTS

EDITORIAL / 5
OUR CONTRIBUTORS / 6-7



12

MANAGEMENT
& LEADERSHIP

14

LOCKED IN: WHY
EXTREME WORK
HOURS PERSIST
IN PROFESSIONAL
SERVICE FIRMS
BY IOANA LUPU

20

THE ANATOMY OF
LOVING YOUR WORK
BY JULIEN BARLING,
NICK TURNER,
ZHANNA LYUBYKH ET
KAYLEE SOMMERVILLE

26

THE POWER OF
CHARACTER
IN LEADERSHIP
BY PATRYCJA RIERA

32

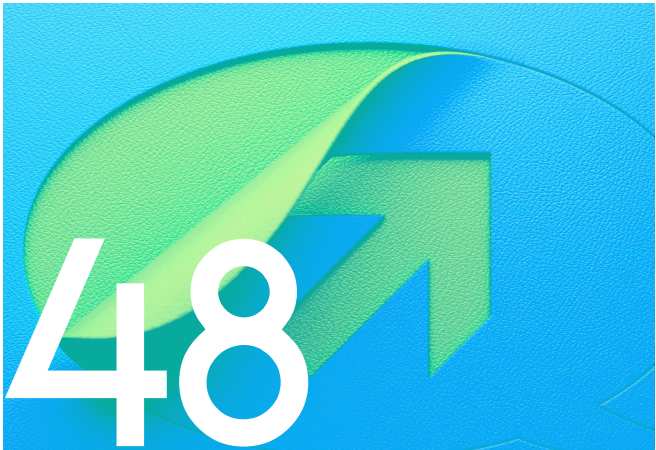
GUANXI HRM: WHEN
RELATIONSHIPS SHAPE
ETHICS AT WORK
BY NA FU, ULRICH
LEICHT-DEOBALD ET
ZHU YAO

36

WOMEN IN LEADERSHIP
AND THE POWER OF
SPONSORS
BY STEFAN GRÖSCHL

42

BEYOND BEING THERE:
HOW PRESENCE
SHAPES GROUP WORK
IN VIRTUAL REALITY
BY AYUSHI TANDON,
YOGINI JOGLEKAR ET
SABRA BROCK



48

SUSTAINABILITY
& ACCOUNTABILITY

50

BEYOND THE
BALANCE SHEET:
ACCOUNTING FOR
SUSTAINABILITY
BY HENDRIK VOLLMER

56

CONSCIOUS
BUSINESS, THE
PLANET AND
CHANGE
BY JEAN-SÉBASTIEN
SIMON

62

THE STRUCTURE OF
GLOBAL SUPPLIER
NETWORKS: HOW THEY
MAY QUIETLY SHAPE
CORPORATE ESG
CONTROVERSIES
BY SANGHO CHAE,
IGOR FILATOTCHEV,
SEONGTAE KIM ET
BYUNG-GAK SON

68

THE GREEN LIGHT
TO SUSTAINABILITY
INNOVATION: HOW THE
SHANGHAI METRO RAN
FOR LOW-CARBON
BY QINQIN ZHENG



74

BUSINESS
& SOCIETY

76

THE ALGORITHM AND
THE COMPASS:
BIG DATA ANALYTICS
AND DECISION-MAKING
BY YAN LI

82

THE PHOENIX
AND THE LOAD
SHEDDING: YOUTH
ENTREPRENEURSHIP
AS SOUTH AFRICA'S
RADICAL CURE
BY THOBILE N. RADEBE

88

THE SOCIAL
ENTREPRENEURS
WE OVERLOOK:
WHY PURPOSE
SURVIVES EVEN
WHEN OPPORTUNITY
DOES NOT
BY EDGARD BARKI,
THOMAZ NOVAIS
ROCHA & ANDRÉ
SAMARTINI

94

THE SILENT CHASM:
THE LOW-TRUST
DISCONNECT BETWEEN
WORKERS AND
LEADERSHIP IN SOUTH
AFRICA
BY ARMAND BAM,
ANDREW INNES AND
LINDA RONNIE

100

THE DIGITAL COMPASS
AND THE LADDER OF
ENGAGEMENT: WHAT
MAKES US CLICK OR
SAVE?
BY AYUSHI TANDON,
SWANAND J. DEODHAR,
ABHAS TANDON AND
ABHINAV TRIPATHI



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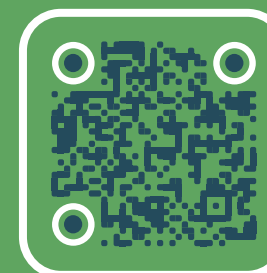
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MANAGEMENT LEADERSHIP

14

LOCKED IN: WHY EXTREME WORK HOURS
PERSIST IN PROFESSIONAL SERVICE FIRMS
BY IOANA LUPU

20

THE ANATOMY OF LOVING YOUR WORK
BY JULIEN BARLING, NICK TURNER,
ZHANNA LYUBYKH ET KAYLEE SOMMERVILLE

26

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BY PATRYCJA RIERA

32

GUANXI HRM: WHEN RELATIONSHIPS SHAPE
ETHICS AT WORK
BY NA FU, ULRICH LEICHT-DEOBALD ET ZHU YAO

36

WOMEN IN LEADERSHIP AND THE POWER
OF SPONSORS
BY STEFAN GRÖSCHL

42

BEYOND BEING THERE: HOW PRESENCE SHAPES
GROUP WORK IN VIRTUAL REALITY
BY AYUSHI TANDON, YOGINI JOGLEKAR ET
SABRA BROCK



LOCKED IN: WHY EXTREME WORK HOURS PERSIST IN PROFESSIONAL SERVICE FIRMS



Efforts to reduce excessive work intensity may be limited if they focus only on formal policies or cultural change.



Extreme work hours are a defining feature of professional service firms, typically explained through formal controls such as time sheets and performance targets, or through cultural norms that make overwork appear as professional commitment. Yet why does acceptance of this persist even when professionals recognise the personal cost? In their research, Profs. **Ioana Lupu** and **Shanming Liu** at **ESSEC Business School** show that employee compliance is sustained not only through control and culture, but through the synchronisation of individuals with the organisation's rhythm of work.

Related research: The entrainment cycle: Understanding professionals' compliance with extreme work hours in professional service firms, Ioana Lupu, Shanming Liu, Accounting, Organizations and Society, Elsevier <https://doi.org/10.1016/j.aos.2025.101597>

BEYOND CONTROL: A PERSISTENT PUZZLE

Existing research explains long working hours through two organizational control mechanisms – technocratic controls and socio-ideological controls. The former regulate how professionals use their time, while the latter shape identities and expectations around work. Together,



these mechanisms explain why extreme hours are normalised and often accepted.

Yet this leaves an important question. Professionals frequently acknowledge the strain of such work patterns, and organisations have introduced initiatives to reduce pressure. Despite these initiatives, acceptance of overwork remains remarkably stable in professional settings. Research by Profs. Lupu and Liu addresses this gap by shifting attention from beliefs and incentives to the temporal experience of work.

COMPLIANCE IS NOT JUST ENFORCED. IT IS ENTRAINED

The paper introduces the concept of the entrainment cycle to explain how organisational controls operate. Entrainment refers to the process through which individual rhythms become aligned with a dominant collective tempo – they are carried along in the flow. In professional service firms – law, consulting, advertising or accounting services – this means that individuals gradually

adjust their pace, routines and expectations to match the organisation's fast-paced work rhythm.

As this alignment deepens, the organisation's temporal structure takes precedence over individual preferences. Extreme work hours are therefore not only imposed but continuously reproduced through synchronisation with collective rhythms.

TWO PATHWAYS OF SYNCHRONISATION

The study identifies two interrelated mechanisms through which this alignment is achieved: bureaucratic and cultural entrainment.

- Bureaucratic entrainment: Aligning pace and career cycles

Formal control systems structure both the speed and trajectory of work. Time sheets, targets and deadlines create

a continuous sense of urgency, aligning professionals with an intense daily pace. Individuals track their time in fine increments, reinforcing a constant awareness of productivity and extending working hours.

At the same time, the design of career trajectories produces longer-term alignment. Promotion models, performance evaluations and escalating targets create a cycle in which professionals must continuously increase their effort. This aligns not only daily activity but entire career trajectories with organisational rhythms.

- Cultural entrainment: Embedding work in everyday life

Cultural mechanisms reinforce these formal controls by embedding them in routines and identities. Material arrangements such as constant connectivity extend work into private life, making disengagement difficult. Work becomes a continuous presence rather than a bounded activity.

Normative expectations further strengthen this alignment.

Through socialisation and peer dynamics, professionals come to see long hours as a signal of commitment and competence. Over time, these expectations are internalised, making extreme work patterns appear natural rather than imposed.

THE CORE INSIGHT: SYNCHRONISATION IS EMOTIONAL AND EMBODIED

The study's central contribution is to show that synchronisation operates not only at a behavioural or cognitive level, but also through emotions and the body.

When individuals are in sync with organisational rhythms, they experience positive states such as energy, engagement and a sense of achievement. These experiences reinforce continued participation. At the same time, the body adapts to sustained intensity, developing tolerance for long hours and high levels of stress.

Conversely, periods of desynchronisation produce negative experiences, including reduced motivation, anxiety, and restlessness. These responses make disengagement uncomfortable, even when it reduces workload.

PUT ME IN THE LOOP:
THE ENTRAINMENT CYCLE

These dynamics form a self-reinforcing loop. Synchronisation generates positive reinforcement, while desynchronisation produces discomfort. This contrast drives individuals back toward alignment with organisational rhythms.

Over time, this creates an entrainment cycle in which professionals become locked into patterns of extreme work. Thus, their compliance with long hours is sustained not only by external controls, but by internalised emotional and bodily responses that make alternative rhythms difficult to envisage or maintain.

WHAT THIS CHANGES

The findings offer a different perspective on why extreme work hours persist. Compliance cannot be understood solely as a result of incentives, identity or culture. It is sustained through continuous alignment with organisational time structures at multiple levels.

This suggests that efforts to reduce excessive work intensity may be limited if they focus only on formal policies or cultural change. As long as the underlying rhythms of work remain unchanged, the cycle of synchronisation is likely to persist. ///

KEY TAKEAWAYS

- ➔ Extreme work hours are sustained through an entrainment cycle, where individuals align with organisational rhythms over time.
- ➔ Bureaucratic entrainment structures both daily work pace and long-term career progression through formal control systems.
- ➔ Cultural entrainment embeds these controls into routines and identities, reinforcing alignment with minimal external pressure.
- ➔ Synchronisation operates through emotional and bodily experiences, making intense work patterns feel engaging and sustainable.
- ➔ Desynchronisation produces discomfort, including anxiety and restlessness, which drives individuals back toward alignment.
- ➔ Reducing extreme work hours requires addressing not only structures and culture, but also the temporal rhythms through which work is experienced.



Enlighten. Lead. Change.



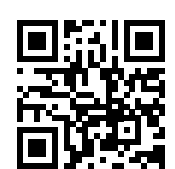
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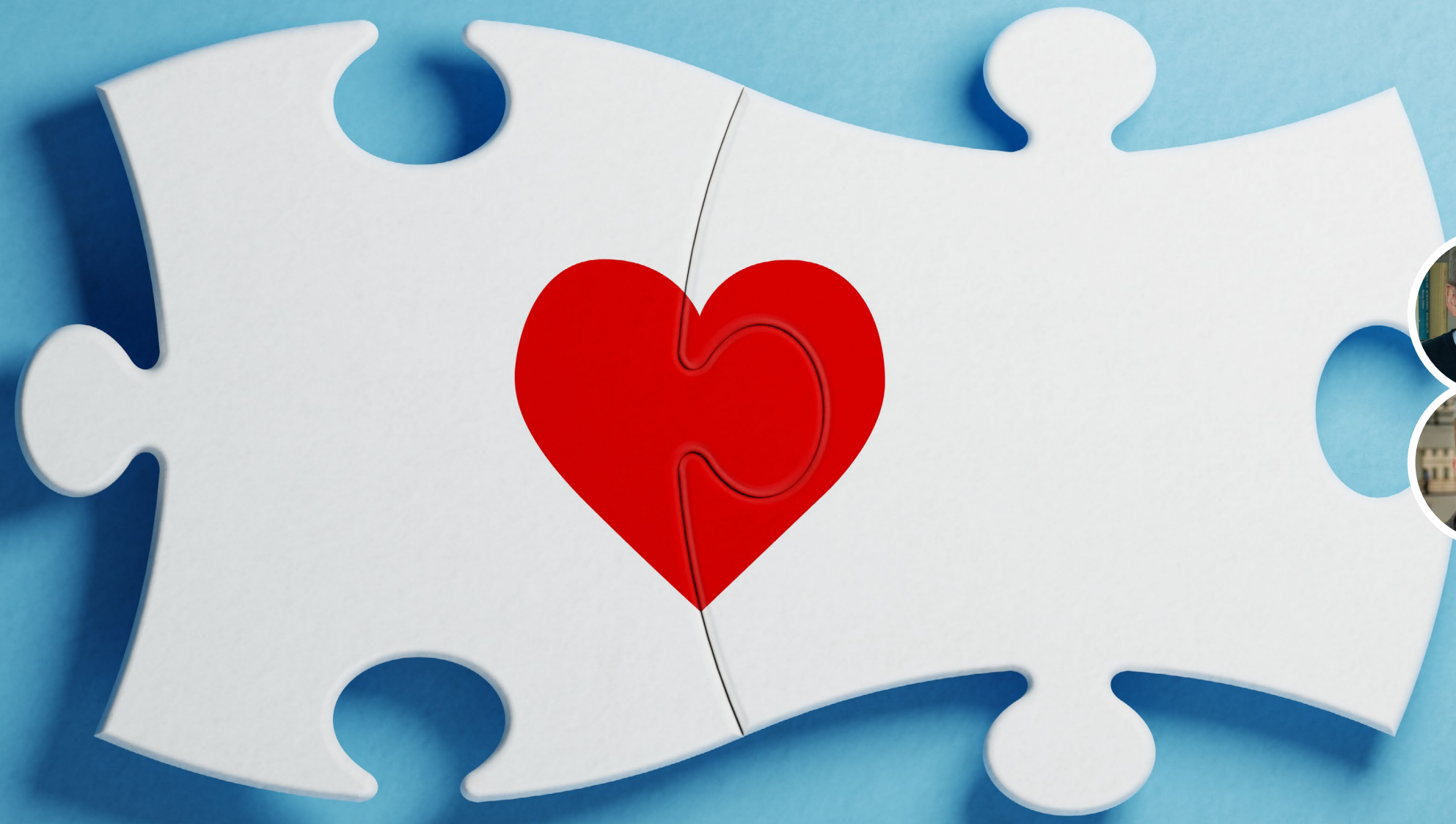
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Loving your job is not the same as being satisfied with your work or feeling engaged.



Employees who adore their jobs share three types of experiences. But this deep emotional attachment has a dark side most organizations ignore. Profs. **Julian Barling, Smith School of Business Queen's University, Nick Turner, Haskayne School of Business, Zhanna Lyubykh, Beedie School of Business,** and researcher **Kaylee Sommerville,** investigate.

The Anatomy of Loving Your Work by Nick Turner, Julian Barling, Kaylee Somerville and Zhanna Lyubykh . First published on The Conversation Canada. With kind acknowledgements to Amber Wallace.

WHAT DOES IT MEAN TO LOVE YOUR JOB?

The language of love has become increasingly common in contemporary discussions of work. People say they want to love their jobs, organizations promise roles candidates will love, and recruitment ads frame employment as an emotional commitment rather than an economic transaction.

Yet despite its ubiquity, the idea of “loving your job” is rarely defined with precision. What does it actually mean to love your job? And is that kind of love always good for employees and organizations?

These questions matter for both employees and organizations. Our recent research set out to understand what employees are describing when they say they love their work, and whether that experience is always advantageous.

THE ANATOMY OF LOVING YOUR WORK

In a series of studies led by Michelle Inness at the University of Alberta and co-authored with Kevin Kelloway at Saint Mary's University, our research team set out to answer a simple question: What does it mean to love your job?

ALIGNING THREE EXPERIENCES

Across multiple studies involving thousands of employees, we found that loving your job is not the same as being satisfied with your work or feeling engaged. Instead, it reflects three experiences coming together.

- The first is **enthusiasm for the work itself**. People who love their jobs genuinely enjoy what they do and feel energized by their work. This goes beyond momentary satisfaction and reflects a deeper emotional connection to the work.
- The second is **commitment to the organization**. Loving your job involves feeling attached to the organization you work for, believing that its problems are your problems and finding meaning in your role within it.
- The third is **connection with others at work**. This does not mean oversharing or blurring professional boundaries. Rather, it reflects feeling emotionally connected to the people or

community at work. This sense of trust and belonging makes work feel personally significant.

Many employees are satisfied with their jobs without feeling emotionally connected to them. Others feel highly engaged without experiencing their work as deeply meaningful. Still others may love the work they do but feel little attachment to the organization or the people around them.

Love of the job is different. It reflects a rare alignment, where enthusiasm, commitment and connection come together at once. When these elements converge, love of the job can function as a powerful psychological resource.

DOUBLE-EDGED SWORD

In our research, love of the job was associated with outcomes above and beyond job satisfaction and work engagement. Employees who loved their jobs reported higher psychological well-being and remained more involved in their work.

For organizations, this distinction is important. Love of the job is not another label for motivation or engagement, but reflects a deeper form of attachment that helps explain why some employees remain invested even when work becomes demanding.

Under supportive conditions, loving one's job can contribute to both individual well-being and sustained performance.

There are some possible drawbacks. While we didn't find evidence that love of the job directly causes burnout, overwork or exploitation, past research suggests that having a deep attachment to work can create vulnerability when organizational conditions are poor.

Employees who love their jobs often feel a strong sense of responsibility for their work and their organization. In supportive environments, this can be a strength; in unsupportive ones, it may make it harder to step back, set limits or recognize when demands have become unreasonable.

In other words, love of the job may heighten employees' exposure to the effects of poor management.

This is especially relevant in organizations that encourage employees to bring their "whole selves" to work or frame work as a calling. When strong emotional attachment is celebrated without realistic workloads, fair compensation or respect for boundaries, devotion can turn into obligation.

A PARADOX FOR ORGANIZATIONS

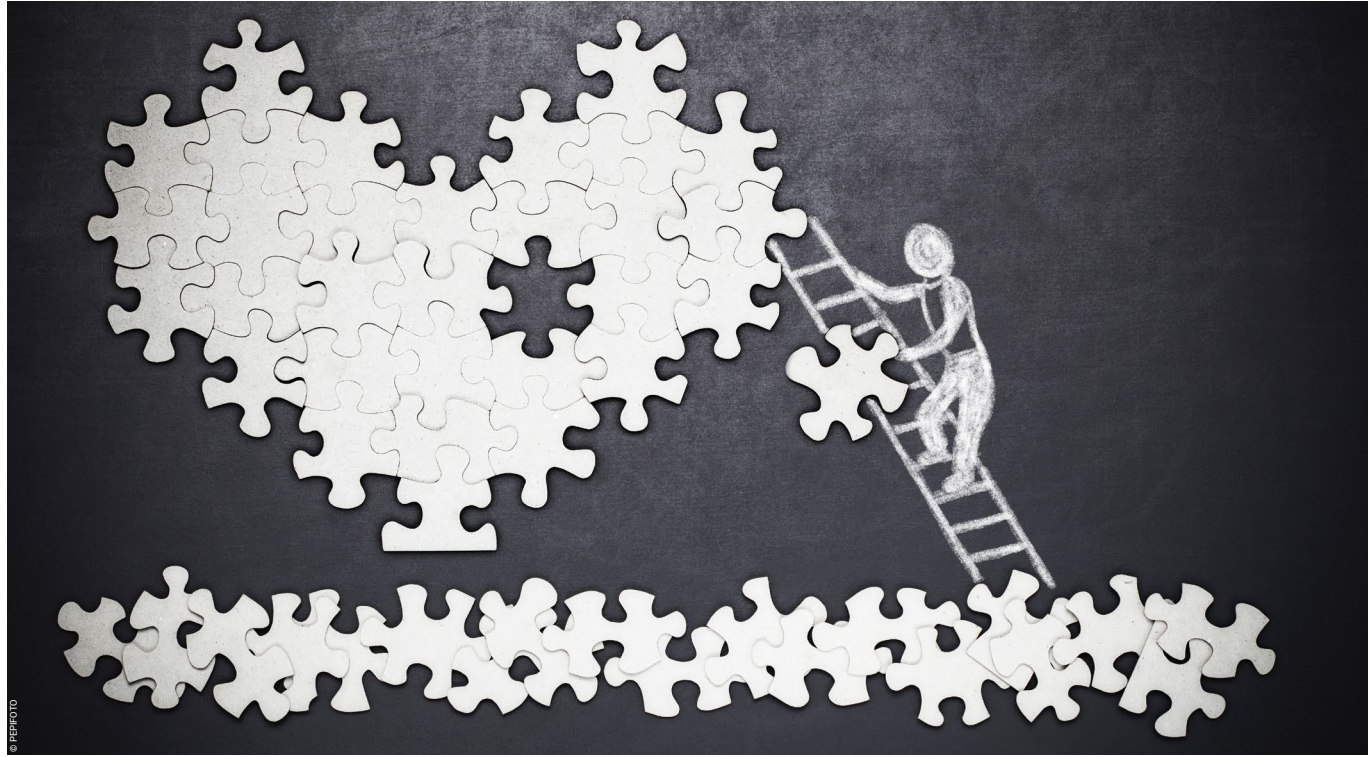
These findings from our research point to a paradox. In our studies, employees who reported a higher love of their job were more likely to go above and beyond their formal roles. More broadly, organizations tend to value employees who care deeply about their work, seeing them as more invested and willing to contribute.

But encouraging love of the job without protecting those who experience it can undermine the very outcomes organizations value. Love cannot be manufactured, demanded or treated as a performance metric. It also cannot be substituted for sound management practices.

Supporting love of the job means creating conditions where enjoyment, commitment and connection can develop organically through meaningful work, supportive leadership and healthy job design. Love of the job does not replace good management; it depends on it.

Decades of research on job design, leadership and employee well-being show that sustained positive attachment to work





requires clear expectations, manageable demands and psychological safety. Love cannot compensate for chronic overload, unclear roles or lack of support.

Loving your job can be fulfilling when that love is freely experienced under healthy conditions. But when love is expected or leveraged in place of good management, it can become a source of strain rather than strength. ///

KEY TAKEAWAYS

- Loving your job is more than job satisfaction or engagement. It represents a deeper emotional attachment in which enthusiasm, organisational commitment and connection with colleagues come together.
- People who truly love their jobs tend to experience enthusiasm for what they do, show commitment to their organisation, and foster meaningful connections with others at work.
- Love of work can be a powerful psychological resource. When supported by healthy working conditions, it is associated with greater psychological well-being, continued involvement and sustained willingness to contribute.
- However, loving your job can also create vulnerability, as deeply committed employees may find it harder to establish boundaries, step back or recognise unreasonable demands, particularly in poorly managed or unsupportive environments.
- Organisations face a paradox: devotion can become exploitation. Employees who love their work are often willing to go beyond their formal responsibilities. But if organisations rely on that devotion instead of providing fair compensation, manageable workloads and respect for boundaries, love can turn into obligation.
- Good management must come before – and support – love of work. Organisations cannot manufacture or demand emotional attachment. Meaningful work, supportive leadership, clear expectations, manageable demands, psychological safety and healthy job design create the conditions in which genuine love of work can flourish.

Disclosure: These key takeaways were generated with the assistance of AI.

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Character development belongs at the core of our leadership strategies.



Inclusion advisor, researcher, strategist, and speaker, **Patrycja Riera, IE Business School**, explores how leadership development can prioritize character development to directly impact not just business outcomes but also the behaviours that achieve them.

The Power of Character in Leadership – first published on IE Insights. With kind acknowledgements to Kerry Parke.

When Boeing's 737 MAX crisis unfolded, Volkswagen's emissions scandal broke, or Lehman Brothers collapsed, we didn't hesitate to judge the character of those at the helm. Yet leadership development programs tend to focus almost exclusively on technical competencies and "leadership skills" while avoiding conversations about character development.

This gap between what we judge in failed leadership and what we prioritize in leadership development creates real business consequences. Research by KRW International reveals that CEOs with high character ratings from employees achieved an average return on assets of 9.35% over two years, that's nearly five times higher than the 1.93% ROA for CEOs with low character ratings. The evidence is clear: a leader's character directly impacts business performance.

"WHAT A CHARACTER!"

Character in leadership isn't simply about ethics. It forms the foundation for all judgment, decision-making, and leadership behaviour. Character-driven leadership encompasses key traits like humility, courage, integrity, responsibility, forgiveness, and empathy—qualities that drive organizational performance when deliberately cultivated.

Character development belongs at the core of our leadership strategies. By cultivating leaders whose moral foundation is

THE POWER OF CHARACTER IN LEADERSHIP

as robust as their technical expertise, we create measurable business impact that transforms both culture and results. So, what is “character”? One perspective views character as one’s true self – who leaders are when no one is watching. Character reflects a leader who serves others; at its worst, it portrays one focused solely on self-interest. It’s that silent voice that guides decisions, sometimes loud in quiet moments but often too faint for the daily demands of leadership.

SEPARATE CHARACTER FROM PERSONALITY

Character is a unique blend of beliefs, principles, and habits that influence both our individual selves and the world we inhabit. It comes down to a person’s ability and desire to do the right thing, regardless of how it affects them personally. We express our character through our behaviours. However, two key points must be clarified: character should not be confused with personality or equated with values.

Character can either enhance or undermine all other resources. A leader may possess knowledge, eloquence, attractiveness, and connections with those you aim to influence. However, if employees and colleagues detect flaws in your character, your ability to lead, and your influence will significantly diminish. Conversely, as Francis Bacon pointed out in the 17th century, being recognized as a person of strong character boosts your capacity to lead and influence others. This is because people trust your intentions, feel assured in your leadership, and view you as someone worthy of emulation.

CHARACTER IS GOOD FOR THE LEADER – AND BENEFICIAL TO OTHERS

Character-driven leadership encompasses more than just ethics or doing what is right. According to the International Labor Organization, more than one in five individuals have been affected by discrimination and harassment at work, and one in four does not feel valued in their workplace. Research from Amy Randel of San Diego State University and colleagues indicates that character-based judgment enhances the performance of superiors and elucidates instances of misconduct or poor decision-making.

Character significantly influences individual well-being and sustained performance; consequently, it is pertinent from a leadership standpoint across all organizational tiers. Furthermore, according to Yoshie Tomozumi Nakamura of Washington University and Julia Milner of EDHEC Business School, leaders with humility, empathy, and courage are likelier to engage in inclusive leadership behaviours and communication.

We often assume that character is only linked to personality, not the foundation of judgment and decisions. Many leadership programs operate on the belief that technical skills alone are sufficient for effective leadership, rather

than prioritizing mature character development. A common misconception is that character is a fixed trait rather than a quality that can be developed when we consistently show up with courage, honesty, and vulnerability. Character is about way more than ethics. It is the foundation for all judgment, decision-making, and leadership behaviour. These misconceptions explain why character development remains undervalued in leadership programs.

KEY CHARACTER TRAITS OF LEADERSHIP

Research shows that specific character traits directly influence leadership effectiveness. The most crucial include:

- ◆ **Humility** means being aware of your limitations, recognizing that you don’t have all the answers and knowledge, and understanding that someone else on the team might. Humility is not thinking less of yourself but about yourself less, ensuring that it is “we” and not “I”.
- ◆ **Courage** means having tough conversations, creating constructive conflict, and generating high intellectual friction with low social friction. This is also about advocating for fairness. When leaders fail to address colleagues who have behaved inappropriately, they become part of the problem. As the saying goes, when we see a problem and don’t address it, we automatically become the problem.
- ◆ **Integrity** means matching words with actions. Leaders with integrity honour commitments, speak truthfully, and choose principles over convenience. They prioritize doing what is right over what is convenient or self-serving.
- ◆ **Responsibility** ensures that leaders take ownership of their decisions, acknowledge their mistakes (which we all make!), and strive to support others – aiming to improve the world around them. Ownership means going above and beyond, not blaming others, and committing to our goals.
- ◆ **Forgiveness** is crucial for leaders since it encourages them to focus on progress and learn from both their own and others’ mistakes, instead of placing blame. It allows individuals to take risks, express creativity, and foster personal growth in their leadership roles. When people let go of past grievances and resentment, individuals, organizations, institutions, and societies can advance.
- ◆ **Empathy** involves understanding others, empowering them, actively caring for them, and showing commitment to their development. This trait connects leaders to their teams on a human level, fostering psychological safety and innovation.

NURTURING CHARACTER

Of course, it is important to go beyond simply identifying these key traits. Developing character requires intentional



effort. While delegation, conflict resolution, and business acumen can be taught, many contend that certain character traits – like courage, integrity, curiosity, and empathy – are not easily instilled. These traits can be nurtured, however, and enhanced through learning, feedback, accountability, setting key behavioural indicators (KBIs), and coaching.

Given the strong link between character and decision-making, which significantly influences organizational success, companies should invest strategically in character development as they do in technical skills. Implementation requires a dual focus – organizational systems and individual practices – working in concert to embed character development into a company’s DNA.

LEADERS MUST FIRST ESTABLISH A LIST OF CRUCIAL CHARACTER TRAITS THAT ALIGN WITH STRATEGIC OBJECTIVES

At the organizational level, leaders must first establish a list of crucial character traits that align with strategic objectives. Successful companies are explicit about both performance and behavioural expectations, communicating not what results matter but how those results are achieved. This clarity helps everyone in the organization understand what is

expected of them, which behaviours are unacceptable, and how character-driven leadership works at all levels.

Next, link these character traits to business objectives. When organizations connect traits like curiosity directly to innovation goals or integrity to customer trust metrics, character development naturally becomes strategic rather than aspirational. A practical framework includes (1) strategic objectives, (2) key performance indicators, (3.) KPI targets, and (4) behaviour and character goals that support achievement.

Character development requires both formal and informal learning opportunities. While traditional training and coaching will always be valuable, today’s leaders often prefer development integrated into their workflow. Organizations should create an ecosystem of learning that includes mentoring relationships, reflection practices, and real-time feedback.

PUT ME IN THE LOOP: SELF-ASSESSMENT AND FEEDBACK FROM OTHERS

To that point, feedback and accountability systems that measure character development are essential because without measurement, character initiatives lose their

strategic backing. By integrating character assessment into performance evaluations and leadership reviews, organizations can track progress and demonstrate the value and impact of character-driven leadership.

For individual leaders, the journey begins with setting the right tone and modelling the desired traits consistently. This, of course, takes substantial self-awareness and leaders can cultivate this by regularly asking themselves: "Does my intention align with my impact?" Combining self-reflection with feedback from multiple sources accelerates character development while building trust.

Leaders should also intentionally shape their team environment by deliberately discussing and recognizing character traits as a way to foster cultural norms and behaviour in employees. Regular – and sincere – feedback from team members provides insight into both technical competence and interpersonal dynamics that allows leaders to customize their efforts to better align with the team's goals.

CHARACTER CULTIVATES PERFORMANCE AND RESILIENCE IN THE ORGANIZATION

Character isn't a "soft" trait – it's a competitive necessity. Today's business challenges mean that leaders need a strong moral compass in order to succeed, and resilience to guide organizations through uncertainty and disruption. Character-driven leadership correlates directly with stronger financial performance, higher employee engagement, and greater innovation. Organizations that invest in character development aren't just doing what's right – they're building sustainable competitive advantage.

The most successful companies recognize that developing character in leadership and throughout the workforce requires the same disciplined approach as developing an operational strategy. They define specific traits, measure progress, and hold leaders accountable not just for business outcomes but the behaviours that achieve them.

This integrated approach creates organizations where integrity drives results. Perfection may be unattainable, but we can strive to become better individuals, leaders, teams, and organizations. ///



KEY TAKEAWAYS

- ➔ Character is a leadership foundation and it shapes judgment, decisions and behaviours – not just ethical choices.
- ➔ Strong-character leadership is associated with better organisational results and greater leadership effectiveness.
- ➔ Character is more than personality or values. It is expressed through consistent behaviours and the willingness to do the right thing, even when inconvenient.
- ➔ Trust depends heavily on character: Technical expertise and influence lose their impact when people perceive weaknesses in a leader's character.
- ➔ Six traits underpin character-driven leadership: Humility, courage, integrity, responsibility, forgiveness and empathy help leaders build trust, inclusion and psychological safety.
- ➔ Although some traits are difficult to teach directly, learning, coaching, feedback, reflection and accountability can nurture them.
- ➔ Organisations should make character part of their leadership systems. Defining expected behaviours, linking them to strategic objectives and measuring progress can turn character development from an aspiration into practice.
- ➔ Character is a competitive necessity, not a "soft" extra. Organisations that develop character alongside operational capabilities can strengthen performance, engagement, innovation and resilience.

Disclosure: These key takeaways were generated with the assistance of AI.

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The motivation to maintain the relationship, combined with the perceived benefits, makes it easier to justify behaviour that might otherwise feel questionable.



What happens when workplace decisions are shaped less by merit and more by personal relationships? Can fairness and merit truly survive in such environments? And when employees observe this type of influence, do they begin to redefine what is acceptable? Professors **Na Fu** and **Ulrich Leicht-Deobald** from **Trinity Business School, Trinity College Dublin**, together with Assistant Professor **Zhu Yao** from **Hunan University**, explore the evolution and effects of personal relationships in a workplace.

Related research: Yao, Z., Fu, N. & Leicht-Deobald, U. The Dark Side of Guanxi HRM Practices: Moral Disengagement and Unethical Pro-supervisor Behavior. J Bus Ethics (2026). <https://doi.org/10.1007/s10551-026-06245-4>

In a recently published research paper The Dark Side of Guanxi HRM Practices: Moral Disengagement and Unethical Pro-supervisor Behaviour, Fu, Leicht-Deobald and Yao examine the question that often shadows the surface of organisational life: how relationship-driven HR practices influence employee behaviour. Focusing on guanxi – the leverage of personal relationships in workplace decisions – they show how such practices can lead employees to engage in actions that benefit their supervisors, even when these actions cross ethical boundaries. What makes this research particularly compelling is not just the outcome, but the process through which this shift quietly unfolds.

GUANXI HRM: WHEN RELATIONSHIPS SHAPE ETHICS AT WORK



WHEN RELATIONSHIPS ENTER FORMAL SYSTEMS

At first glance, relationships at work do not seem problematic. In many cases, they help build trust, ease communication and create a sense of belonging. However, when these relationships begin to shape formal decisions – such as promotions, rewards or hiring – the situation becomes more complex.

This is where Guanxi Human Resource Management (HRM) practices begin to materialise. Instead of decisions being guided by merit or performance, personal connections start to play a decisive role.

More importantly, something less visible begins to shift. Employees start interpreting what these patterns mean: Organisations may speak the language of fairness and merit, yet everyday decisions can suggest something different.

Over time, employees realise that opportunities appear uneven. Effort does not always translate into outcomes. In this way, employees are not simply following rules and policies. They are reading signals.

HOW EMPLOYEES INTERPRET WHAT THEY SEE

To understand this process, the authors draw on the theory of social information processing – the idea that individuals rely on social context to make sense of acceptable behaviour. Rather than relying only on formal policies, employees observe what actually happens around them.

When HR decisions consistently reflect personal relationships – i.e. when guanxi HRM practices exist – an implicit signalling begins to emerge. It suggests that loyalty to a supervisor may matter more than formal performance. This message does not need to be stated outright. Rather, it is seen. Repeated. And gradually understood.

Employees begin to adapt. Aligning with a supervisor, protecting their interests, or going out of one's way to support them starts to feel less unusual, even if these behaviours might not be fully ethical. The researchers call this pro-supervisor unethical behaviour. And in some cases, it begins to feel not just less unusual, but also necessary.

WHEN RIGHT AND WRONG BECOME ADAPTABLE

What makes this shift particularly powerful is not just behaviour, but how employees justify it. The research highlights a key concept here: moral disengagement – the underlying cognitive and psychological mechanism through which individuals rationalise actions that would normally feel unethical. The lines between right and wrong become blurred. Negotiable. Flexible.

When employees see that decisions are already influenced by relationships, they begin to reinterpret their own actions. Ethical compromises become easier to justify. Helping a supervisor, even in questionable ways, can start to feel acceptable, even expected.

The justification is rarely dramatic. It often takes simpler, quieter forms: "Everyone does this. This is how things work here. I don't really have a choice."

Over time, these small shifts accumulate. What once seemed clearly wrong begins to feel less questionable. The boundary does not disappear – it simply moves.

THE ROLE OF CLOSE SUPERVISOR RELATIONSHIPS

Interestingly, this effect does not occur in the same way for everyone. The research highlights that guanxi HRM practices are more likely to trigger unethical behaviour when supervisor subordinate guanxi is high.

These relationships create both proximity and influence. Employees with stronger ties are more exposed to how decisions are made. At the same time, they have more to gain – and potentially more to lose. As a result, the signals they receive feel more personal and more relevant.

In such situations, supporting a supervisor can take on greater importance. The motivation to maintain the relationship, combined with the perceived benefits, makes it easier to justify behaviour that might otherwise feel questionable.

What begins as loyalty can, over time, blur into something more ethically ambiguous.

GUANXI BEYOND CULTURES

Although the concept of guanxi is rooted in Chinese organisational settings, the broader idea extends far beyond it. Practices such as nepotism or favouritism exist across many cultures, along with documented studies. The form may differ, but the underlying dynamic remains similar: relationships influencing decisions that are meant to be impartial.

This makes the findings particularly relevant. They are not only about one system, but about a broader organisational

reality – one where informal relationships quietly interact and interfere with formal structures.

CLOSING THE GAP THROUGH HRM CONSISTENCY AND ETHICAL ALIGNMENT

The research encourages organisations to look more closely at the gap between what is formally stated and what is informally practised. When fairness and relationships begin to overlap, the effects unfold gradually, through perception, interpretation and justification. Hence, it is important to investigate this gap before employees begin to draw their own conclusions about what is valued.

For managers, it becomes important to ensure that HR practices remain transparent and consistently aligned with merit. At the same time, attention needs to be given to ethics awareness and how employees interpret everyday decisions, as these interpretations shape behaviour over time.

A more thoughtful approach would involve not only reducing reliance on informal influence, but also reinforcing clear ethical standards in practice. In doing so, organisations can move towards a context where actions, rather than signals, define what is acceptable. ///

KEY TAKEAWAYS

- ➔ Workplace decisions influenced by personal relationships can gradually undermine perceptions of fairness and merit.
- ➔ Employees do not rely only on formal policies but interpret everyday organisational actions as signals of what is truly valued.
- ➔ Guanxi HRM practices communicate that loyalty and relationships may matter more than performance.
- ➔ This signalling can lead employees to engage in unethical pro-supervisor behaviour to align with perceived expectations.
- ➔ Moral disengagement allows employees to justify such behaviour by reframing it as normal or necessary.
- ➔ The boundary between ethical and unethical behaviour does not disappear but slowly shifts over time.
- ➔ Strong supervisor–subordinate relationships intensify this effect by making signals more personal and consequential.
- ➔ Relationship-driven practices such as favouritism or nepotism are not culture-specific but reflect a broader organisational challenge.



Women have historically had greater access to mentors than sponsors.



ESSEC Business School Prof. **Stefan Gröschl** shows that women reach senior leadership not through mentoring programs, but through sustained sponsorship – often by male superiors – combining real career opportunities with public legitimacy and trust.

Related research: Gröschl, S., Gabaldon, P., Hahn, T., & Kelan, E. K. (2024). The emergence and effects of sponsors for women leaders. *Gender, Work & Organization*.

Prof. Stefan Gröschl, Patricia Gabaldon, Tobias Hahn, and Elisabeth K. Kelan's research – *The Emergence and Effects of Sponsors for Women Leaders* – addresses a persistent puzzle in gender and leadership research: why, despite decades of equality policies and a growing focus on diversity, women remain underrepresented in senior executive roles.

The authors argue that one of the most decisive yet insufficiently understood mechanisms behind women's advancement is career sponsorship. Sponsorship, in their framing, is not a vague form of encouragement or general support. It is a specific career intervention in which a senior, influential person uses personal and organizational capital to advocate for a junior colleague and place them into roles that increase their visibility and promotability.

SEPARATING THE SPONSORS FROM THE MENTORS

Early in the research the authors separate sponsorship from mentoring, organizations often treating them as interchangeable. Mentoring typically supports organizational socialization and development by offering advice, feedback,



SPONSORS

WOMEN IN LEADERSHIP AND THE POWER OF SPONSORS

is not the whole story. Where close working relationships exist and competence is visible, sponsorship can emerge across gender lines, even in male-dominated settings.

The study also shows that sponsorship most often emerged informally rather than through structured programs. Many participants described sponsor relationships as loose, undefined, and not deliberately pursued at the outset. Internal formal sponsorship programs, when they existed, were rarely cited as the source of meaningful sponsorship. Similarly, institutionalized women's networks or associations were perceived as useful for solidarity and emotional support, but not as mechanisms that produced the high-visibility assignments and advocacy required for advancement into the highest ranks.

In other words, these formal structures may help women cope with organizational cultures and share advice, but they do not substitute for personalized advocacy by individuals with power. The authors treat this as a crucial insight because it implies that organizations cannot simply "install" sponsorship through a program in the way they might install training. Sponsorship requires personal commitment, political capital, and trust, and those conditions often develop through ongoing professional relationships rather than through standardized matching processes.

In addition, Gröschl and his fellow researchers look at the external dimension – for while many sponsors were direct supervisors within the company, some emerged from external networks such as former colleagues, peers who became recruiters, or industry contacts. This expands the traditional definition of sponsors as higher-ranked individuals within the same organization.

External sponsors can broaden the range of career opportunities, particularly when internal growth paths are constrained, and they may act without any organizational pressure. The authors interpret this as a rationale for encouraging women to build diversified networks across organizational boundaries, since such networks can become alternative channels of sponsorship when internal structures are limited or biased.

SPONSORS SUPPORT IN SEVERAL WAYS

To explain what sponsors actually do, the authors introduce a highly useful lens: sponsorship activities can be understood through the typology of social support, which includes informational, instrumental, emotional, and appraisal support. They consolidate these categories into two broader forms to clarify the data:

- Assistive support
- And appreciative support.

The first of these – assistive support – covers tangible, concrete help, including informational and instrumental support. Appreciative support, on the other hand, covers

and encouragement. Mentors can be found at multiple levels and are not necessarily in positions of power.

Sponsorship is different because it is power-based and action-oriented. Indeed, sponsors are senior figures who publicly and privately advocate for their protégées, broker introductions to decision makers, assign high-profile work, and push for promotions, thereby taking reputational risk.

This distinction matters because women have historically had greater access to mentors than sponsors. Mentoring can help women navigate workplace culture, but it often does not deliver the decisive career opportunities needed to reach top management. The authors' argument is that understanding sponsorship – rather than only mentoring – helps explain how women break through into executive positions.

HELPING OTHERS: A QUESTION OF “BIRDS OF A FEATHER”

Previous research on women's ascension within corporate hierarchy has mostly been shaped by the concept of homophily: the tendency for people to form relationships with others who resemble them on salient characteristics such as gender.

As such, if senior leadership is disproportionately male, homophily suggests that powerful men will sponsor other men, which creates an exclusionary cycle for women. The argument is that women would then be less likely to benefit from sponsorship, not necessarily because they lack competence, but because the sponsorship channel that accelerates careers is structurally skewed. Furthermore, at the same time, the small number of senior women reduces the availability of same-sex sponsorship ties, meaning women cannot easily rely on homophilous matching as a solution.

However, one of the research paper's most important findings is that women leaders in this sample were predominantly sponsored by men. This result is significant because it differs from the expectation that sponsorship relationships should be shaped primarily by homophily and same-sex ties.

In the interviews carried out for the research, women often explained the gender of their sponsors in structural terms: they had rarely had female bosses, and top leadership remained male-dominated, so male sponsors were the most available potential sponsors. What matters is that the sponsorship did not appear to be driven by formal corporate sponsorship programs pushing men to sponsor women.

PROXIMITY AND VISIBILITY IN THE WORKPLACE ARE KEY

Instead, sponsors were typically managers or senior leaders who had direct knowledge of the women's work and potential through supervisory relationships, and who chose to invest their personal capital voluntarily. The authors interpret this as evidence that while homophily matters as a general pattern, it



intangible reinforcement, including emotional and appraisal support. This distinction is in sorts the backbone of the researchers' main argument: what drives women's advancement is not just that sponsors create opportunities, but that they combine opportunity creation with validation and confidence-building.

Assistive support appears most clearly in the way sponsors provide women with stretch assignments and roles that expand scope, responsibility, and visibility. Stretch assignments push leaders outside their comfort zone, expose them to strategically important work, and create experiential learning that accelerates development. In the interviews, women described sponsors who "stretched" them continuously, asked them for increasingly challenging tasks, and trusted them with responsibilities they might not have received otherwise.

Sponsors also supported women by placing them in new roles, in some cases involving geographic moves or major functional shifts. Another assistive mechanism identified in the research data is the provision of fallback options, where sponsors encouraged women to try a challenging role with the reassurance that they could return to a previous path if it did not work out. This matters because it reduces the perceived downside risk of taking a leap, especially in contexts where women may feel more scrutinized or fear that failure will be punished more severely. These forms of assistive support are, in effect, the direct career accelerators: they produce visibility, build track records, and position women as credible candidates for promotion.

THE IMPORTANCE OF THE HUMAN TOUCH – AND RESPONSIBILITY

However, the article's more original claim is that assistive support is rarely effective without appreciative support. Appreciative support includes expressions of trust, empathy, and belief in the protégé's potential, along with evaluative

feedback that helps the protégé reinterpret herself as capable of leadership. In the interviews, many women described self-doubt, limited confidence, or a reluctance to self-promote, sometimes rooted in the belief that strong performance should speak for itself rather than needing active advocacy.

Sponsors' appreciative support counteracted these tendencies by explicitly affirming women's competence and by legitimizing them in the eyes of others. One especially vivid example in the findings involves a woman leader assigned to a highly challenging context abroad, where women were rare in leadership roles. The sponsor's support did not only consist of giving her the assignment; it also included publicly introducing her as highly capable, which simultaneously reassured her and signalled legitimacy to stakeholders who might otherwise question her authority.

This example captures the authors' central mechanism: appreciation is not merely "nice to have." When combined with concrete opportunity, it becomes a stabilizing force that enables women to take risks, persist through anxiety, and convert stretch experiences into career growth.

The most visible outcomes include promotions, access to senior leadership roles, and expanded exposure to decision makers. Importantly, the study does not find that sponsored women are pushed into purely supportive or peripheral roles lacking strategic relevance. Many participants held positions with significant responsibility, including profit-and-loss roles, leadership of divisions, and country-level executive positions.

OF CHANGE AND TRUST

Alongside these tangible outcomes, Gröschl et al. highlight a second category: the development of self-confidence and self-efficacy. Women repeatedly described the moment when a sponsor recognized leadership potential in them as transformative, because it changed how they saw themselves and what they believed they could do. In this sense,

sponsorship does not only open doors; it also reshapes internal perceptions of legitimacy, which then increases the willingness to accept future opportunities.

A further conclusion concerns time and trust. The authors argue that effective sponsorship tends to be a long-term process rather than a one-off intervention. Trust and confidence are built gradually, often through close working relationships such as supervisor–subordinate ties or long-standing connections. This challenges portrayals of sponsorship as short-term or transactional. It also helps explain why company-run sponsorship programs often disappoint: executives may resist advocating for people they do not know well, and the program structure may not allow enough time for mutual trust to form.

Sponsorship involves reputational risk, so it is most likely when sponsors have strong evidence of competence and feel personally invested. These insights push the article toward organizational implications: rather than focusing on imposing sponsorship relationships through formal programs, companies may need to create conditions that enable trust-based sponsorship to emerge, while also ensuring that women receive access to the same career-defining assignments that build executive track records.

THE ROAD AHEAD

If organizations want more women in senior leadership, they would be wise to stop treating mentoring as the primary solution and address the mechanisms of sponsorship. This means ensuring that women have access to stretch assignments and visible roles at every career stage, monitoring whether those opportunities are distributed fairly, and building cultures where managers can offer fallback options and support risk-taking rather than condemning it.

It also means recognizing that women may be less likely to proactively seek sponsors because of doubts about their potential, so sponsors often need to initiate relationships and provide appreciation alongside opportunity.

Finally, women can move away from relying on a single sponsor and toward a constellation of sponsors inside and outside the organization. This will have the effect of offering diverse opportunities across career stages, especially in dynamic workplaces where people shift roles frequently. ///

KEY TAKEAWAYS

- ➔ Sponsorship – not mentoring – is decisive for women's advancement: While mentoring offers advice and support, sponsorship involves power, advocacy, and risk-taking, which are essential for reaching senior leadership positions.
- ➔ Women leaders are most often sponsored by men: Contrary to homophily-based expectations, sponsorship frequently crosses gender lines, largely due to structural realities and close professional working relationships.
- ➔ Sponsorship emerges informally, not through formal programs: Corporate sponsorship schemes and women's networks rarely produce real sponsorship; meaningful sponsorship grows out of trust-based, informal relationships.
- ➔ Effective sponsorship combines two forms of support: Career advancement depends on both assistive support (stretch assignments, visibility, opportunities) and appreciative support (confidence, legitimacy, reassurance).
- ➔ Sponsorship reshapes both careers and self-perception: Beyond promotions and roles, sponsorship builds self-confidence and self-efficacy, enabling women to accept risk and sustain leadership trajectories over time.



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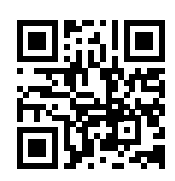


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BEYOND BEING THERE: HOW PRESENCE SHAPES GROUP WORK IN VIRTUAL REALITY

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When tasks are designed around what VR does well, the returns in group dynamics are real.



Virtual reality has entered the modern workplace with an almost utopian promise. Put on a headset and the distance disappears. Colleagues separated by continents share the same room, the same space, the same moment. But organisations have learned to be sceptical of technology that promises to change everything. And beneath the excitement, a more precise question is starting to surface. Does the feeling of being present in a virtual environment make teams work better together? And if it does, what is it about that feeling that matters most? Stepping into this overlooked corner of the virtual work debate, Professor **Ayushi Tandon** from **Trinity Business School, Trinity College Dublin**, together with Profs Yogini Joglekar from Edustutia and Sabra Brock from Touro University explore how the experience of presence inside VR quietly shapes the way groups think, collaborate and perform.

Related research: Tandon, A., Joglekar, Y., & Brock, S. (2025). Fostering Group Work in Virtual Reality Environments: Is Presence Enough?. Communications of the Association for Information Systems, 57, 1301-1350. <https://doi.org/10.17705/1CAIS.05548>

VR technology has earned a solid reputation as a tool for individual learning. Its ability to create a powerful sense of presence, that subjective feeling of genuinely being somewhere, has been shown repeatedly to drive engagement and improve outcomes

across healthcare, corporate training and higher education. But organisations do not learn alone. Teams do. And whether that same sense of presence can meaningfully improve how groups work together inside a VR environment has, until now, remained largely untested.

A new study by Profs. Tandon, Joglekar and Brock investigate precisely this question. Drawing on Construal Level Theory, the research examines how three dimensions of presence, namely spatial, social and temporal, shape group dynamics within a professional development VR platform. The findings confirm that presence matters for group-level outcomes, but they also reveal an important moderating role for how well the VR technology fits the tasks it is being asked to support.

PRESENCE IS NOT ONE THING. IT IS THREE.

Construal Level Theory proposes that psychological distance – how close or far we feel from people, places and moments – shapes how we think and behave. In the VR context, this theory frames presence as the experiential manifestation of low psychological distance. The study operationalises presence across three distinct dimensions, each with its own implications for group work.

SPATIAL PRESENCE: THE SENSATION OF SHARING A PHYSICAL SPACE

Spatial presence is the feeling of genuinely being somewhere, of occupying space meaningfully and interacting with one's surroundings in an authentic way. In the VR campus studied, participants reported experiencing this through interactions with three-dimensional objects, lifelike environments such as a virtual boardroom or spice market, and spatial audio that placed other participants' voices directionally around the room.

This sense of realism translated into concrete group behaviours: reduced multitasking, stronger mutual attention and more focused coordination during shared tasks. Participants also noted that VR's spatial properties made them feel as though globally dispersed colleagues were genuinely present in the same room, a perception that supported both cohesion and task performance.

SOCIAL PRESENCE: INTERDEPENDENCE, SKILLS AND ACCOUNTABILITY

Social presence, the sense of being with others and perceiving their intentions, capabilities and reactions, was found to operate through three identifiable channels in the VR environment.

First, participants experienced interdependence through shared sensory activities such as eating popcorn, singing karaoke, avatar customisation and collaborative object manipulation. Second, the mix of VR skill levels across group



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members created natural skill-based interdependence, with more experienced users helping novices navigate the platform and building relational closeness in the process. Third, VR's transparency, including the visibility of where avatars were looking and whether a headset was active, heightened accountability in ways that video conferencing tools did not.

An additional finding concerns the role of avatars in enabling candid feedback. Several participants reported that directing criticism at an avatar rather than a physical person reduced their inhibition and made them more open to both giving and receiving direct feedback. This is a property with clear implications for conflict resolution and performance coaching in distributed teams.

TEMPORAL PRESENCE: THE VR TIME WARP

Temporal presence, the subjective alignment with the time depicted in VR, emerged as a double-edged phenomenon. Participants consistently reported losing track of real-world time once immersed, describing VR as producing a time warp in which thirty minutes could feel like ten. For group coordination, this had a net positive effect: the reduction of time zone salience allowed globally dispersed participants to feel synchronised in a shared temporal experience, supporting real-time collaboration.

However, the data did not establish a direct link between temporal presence and global group dynamics such as overall cohesion or task performance. The authors attribute this to the context-dependency of temporal effects and the disorientation that can accompany exit from VR. The practical implication is that sessions should be designed to capitalise on temporal immersion without exceeding the thirty-to-forty-five-minute window beyond which physical discomfort and temporal disorientation begin to undermine the experience.

TASK-TECHNOLOGY FIT: THE FACTOR THAT DETERMINES WHETHER PRESENCE PAYS OFF

The study's most policy-relevant finding is that the positive relationship between presence and group dynamics is not automatic. It is moderated by how well VR technology fits the demands of the task it is being used to support. When alignment is strong, the three dimensions of presence reinforce each other and produce meaningfully better coordination, collaboration and cohesion. When alignment is weak, VR's limitations can actively disrupt the group process.

Prof. Tandon et al's research identifies several task types that leverage VR features well: creative brainstorming using spatial three-dimensional drawing tools, role-play and simulation exercises, rapport-building and team formation activities, and tasks that benefit from the accountability effects of avatar visibility.



Conversely, tasks that require extensive notetaking, documentation or rapid text-based communication are poorly served by current VR platforms, which lack robust keyboard input. Groups engaged in these activities tended to migrate to video conferencing tools mid-session, disrupting both spatial and temporal presence in the process. Sessions longer than forty-five to sixty minutes ran into hardware constraints as well, with battery life, headset weight and eye strain becoming practical barriers that eroded immersion and impaired coordination.

The study draws a useful distinction between VR's suitability across Tuckman's classic stages of group development. VR appears well matched to the forming, storming and performing stages, supporting initial bonding, productive disagreement through the buffer of avatar identity, and focused collaborative execution. The norming stage, which typically involves detailed task allocation and documentation, is less well supported by current VR features and benefits from supplementation with conventional platforms.

WHAT THIS MEANS FOR ORGANISATIONS

For organisations evaluating or expanding their use of VR for professional development and team collaboration, the research offers a clear set of conclusions. Presence in VR is not a binary property. It is a composite of spatial, social and temporal experiences, each of which can be engineered or undermined by task design choices. VR is not a universal replacement for existing collaboration tools. Its comparative advantages lie in creating embodied, accountable, low-distance group experiences, advantages that are most pronounced in forming and performing stages of team development, in globally distributed teams, and in contexts where psychological safety and perspective-taking are strategic objectives.

Investment in VR for group work should be accompanied by deliberate task design that aligns activities with the technological capabilities of the platform. Treating VR as a straightforward substitute for a video call without adjusting the task structure is likely to produce disappointing results. The technology rewards intention. When tasks are designed around what VR does well, the returns in group dynamics are real. ///

KEY TAKEAWAYS



- Presence in VR operates across three dimensions, spatial, social and temporal, each of which influences group dynamics through distinct mechanisms.
- Spatial presence reduces multitasking, enforces social norms and produces a sense of shared location that supports both coordination and cohesion.
- Social presence in VR generates skill-based interdependence and heightens accountability. Avatar identity also lowers inhibition around candid feedback.
- Temporal presence creates a shared sense of now that can overcome time zone barriers, but sessions beyond forty-five minutes risk disorientation and physical discomfort.
- Task-technology fit moderates the relationship between presence and group outcomes. VR adds most value in forming, storming and performing stages and least in norming tasks that require documentation.
- Effective VR-based group work requires deliberate task design, not just technology deployment

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SUSTAINABILITY ACCOUNTABILITY

50

BEYOND THE BALANCE SHEET: ACCOUNTING
FOR SUSTAINABILITY
BY HENDRIK VOLLMER

56

CONSCIOUS BUSINESS, THE PLANET AND
CHANGE
BY JEAN-SÉBASTIEN SIMON

62

THE STRUCTURE OF GLOBAL SUPPLIER
NETWORKS: HOW THEY MAY QUIETLY SHAPE
CORPORATE ESG CONTROVERSIES
BY SANGHO CHAE, IGOR FILATOTCHEV,
SEONGTAE KIM ET BYUNG-GAK SON

68

THE GREEN LIGHT TO SUSTAINABILITY
INNOVATION: HOW THE SHANGHAI METRO RAN
FOR LOW-CARBON
BY QINQIN ZHENG



BEYOND THE BALANCE SHEET: ACCOUNTING FOR SUSTAINABILITY



The focus is shifting away from surface-level disclosures. What matters now is how sustainability is built into the business model.



As climate change and ethical business gains importance in corporate agendas, Prof. **Hendrik Vollmer, Warwick Business School**, looks at the shift from accounting and reporting as tools for compliance or comparison to a test of credibility for investors, stakeholders, and customers

Beyond the Balance Sheet: Accounting for sustainability by Hendrik Vollmer. First published on Warwick CORE Insights, 16 May 2025. With kind acknowledgements to CORE Insights Editor-in-Chief Warren Manger.

As climate change and ESG concerns climb the corporate agenda, accounting is being pulled into new territory. Once a discipline focused squarely on financial results, it is now expected to explain how a business creates value — and where it is exposed to risk.

In my discussions with executives, academics and policy thinkers, one thing keeps coming up: sustainability is no longer an afterthought. It is fast becoming central to how companies operate, how they measure performance, and how they communicate with the outside world.

But the shift is not straightforward. What should be reported? Who needs the information? And how can companies make sure their disclosures are credible, rather than just noise? Accounting has always been about giving decision-makers structure and confidence. That job has not changed — but the scope has. Today, the numbers need to speak to a broader set of questions, and a wider group of people.



ACCOUNTING'S GROWING MANDATE

For over two decades, companies — particularly in high-risk, high-profile sectors like energy, mining, food and fashion — have been producing standalone sustainability or CSR reports. These documents, usually released alongside the annual report and based on voluntary frameworks, were rarely linked to financial reporting. For many companies, they served a largely symbolic role — a way to show that sustainability was on the radar, even if it was not yet embedded in the business.

But that's no longer enough. Investors, regulators, employees — and the public — are now asking tougher questions. The focus is shifting away from surface-level disclosures. What matters now is how sustainability is built into the business model.

Accounting, in this context, becomes more than a tool for compliance or comparison. It becomes a test of credibility. The profession has taken note. Firms like EY, PwC, KPMG and Deloitte are expanding their sustainability practices, hiring climate scientists, human rights specialists, and data analysts to support a new wave of clients. Services now stretch from carbon footprint verification to supply chain audits — all designed to help businesses stay ahead of mounting pressure to report clearly, and convincingly, on sustainability.

But the real challenge runs deeper. Before anything can be measured or assured, companies need to answer a more basic question. What, exactly, should they be accounting for?

MATERIALITY MATTERS — BUT SO DOES PERSPECTIVE

The answer largely comes down to how you define “materiality”. Two main schools of thought have emerged. The first, backed by financial standard-setters like the International Financial Reporting Standards (IFRS), focuses on financial materiality — what matters to the company's bottom line. This approach means companies focus their reporting on sustainability issues — like labour conditions, water use, or carbon emissions — only when those issues could have a financial impact on the business.

The idea is to help investors understand the risks and make more informed choices about where to invest. The second approach, called impact materiality, takes a broader perspective. It looks beyond how sustainability issues might affect the company, and asks how the business itself is affecting people and the planet.

With this way of thinking, a company might still report on its climate impact even if it is not directly exposed to climate-related risks. For example, a tech firm that does not manufacture goods might report on its energy-intensive data centres and their significant contribution to emissions.

In reality, plenty of companies are trying to cover both bases in their sustainability reporting. Nestlé is one example. As

one of the biggest food and drink firms globally, it is under pressure from investors to manage risks like deforestation, while also being watched closely by consumers for its broader impact. Its reports now try to address both: showing how ESG issues could affect profits, and how the business affects the planet and society.

It is not a simple task — this kind of dual reporting takes more time, effort and judgement — but it is a more honest reflection of the pressures that companies are facing.

CREATING A FRAMEWORK FOR SUSTAINABILITY ACCOUNTING

For sustainability accounting to be useful, it needs a framework — something clear, credible and consistent. Without one, reporting risks drifting into two extremes: glossy greenwashing, or overwhelming data with no clear purpose.

Choosing a framework is not about ticking regulatory boxes. It is a strategic choice. Who is the report really for? Investors? Regulators? Customers? Civil society? The answer shapes what gets measured — and what gets left out. But even before collecting the relevant data, companies need to get their arms around the basics.

That means mapping the value chain, understanding where their responsibility starts and ends, and drawing clear boundaries around what they control and what they influence. This gets particularly complicated with emissions. Greenhouse gases are split into three categories, or “scopes”:

- ◆ Scope 1: direct emissions from owned or controlled sources
- ◆ Scope 2: indirect emissions from purchased electricity
- ◆ Scope 3: all other indirect emissions across the value chain

Scope 3 — the emissions tied to suppliers, customers, and how products are used — is where companies can enter a veritable rabbit hole.

The data is patchy, the boundaries are fickle, and the risk of greenwashing is highest. But this is also where the bulk of many firms' environmental impact sits. And where scrutiny is only going to increase.

There are three areas of sustainability information every company should get to grips with.

1. FINANCIALLY-MATERIAL ESG RISKS

Firms should pay particular attention to ESG risks that pose long-term threats to the business model. To grasp these risks, companies need to understand their business model beyond the financial ins and outs. They need to understand the vulnerabilities in their supply chains, the use of their products and services, and the sustainability of the markets on which they are selling them.

The risk might be highest where the cost of social and environmental impacts are not immediately apparent and therefore are not yet priced in.

2. RESOURCE DEPENDENCIES

Companies may be dependent on a range of resources, from water use, energy intensity, and supply-chain ecologies to community goodwill and reputation. These can become existential risks if not addressed.

On this basis, the gathering of business intelligence needs to go well beyond the boundaries of any individual enterprise. Even the most competent accountant will not be able to gather this intelligence without the help of external stakeholders.

3. Feedback loops

Companies need to be aware of feedback loops between environmental impact and business performance and the case for sharing that information with investors. One example is how the degradation of natural capital may affect supply chains, production costs, or regulatory exposure.

This is where businesses might be at a particular loss if they fail to engage with the people on whom they depend – from suppliers and users to those who are affected by production. Sustainability reporting is not a branding exercise. It is not about repackaging data to look good in a slide deck at the end of a reporting period.

Done properly, it should sharpen strategic thinking around the creation of value and improve how decisions get made. Anything less risks wasting time, trust, and money. ///

KEY TAKEAWAYS

- Accounting is increasingly expected to explain how businesses create value and where they face sustainability-related risks.
- Investors, regulators and stakeholders increasingly want evidence that sustainability is genuinely embedded in the business model.
- Materiality requires more than a financial lens. Companies need to consider both how sustainability issues affect the business and how the business affects people and the planet.
- Credible sustainability accounting needs clear boundaries. Understanding the value chain, areas of responsibility and the three emissions scopes is essential – particularly when tackling complex Scope 3 emissions.
- Supply-chain vulnerabilities, resource dependencies, reputation and changing markets can create long-term risks that traditional financial measures may overlook.
- External stakeholders are essential sources of sustainability intelligence and companies cannot fully understand their environmental and social dependencies from inside the organization alone.
- Sustainability impacts and business performance are interconnected.
- Feedback loops such as environmental degradation increasing costs or disrupting supply chains need to become part of strategic decision-making.
- Good sustainability reporting should improve decisions, not simply improve appearances. Done properly, it strengthens strategic thinking, builds credibility and supports value creation; done poorly, it risks wasting time, trust and money.

Disclosure: These key takeaways were generated with the assistance of AI.



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Businesses that can develop symbiotically with Nature offer long term gains and prosperity.

CONSCIOUS BUSINESS, THE PLANET AND CHANGE



Are there organisations already walking the talk of Conscious Business?

Jean-Sébastien Simon, High Performance Coach and Lecturer in Conscious Business at **ESSEC**

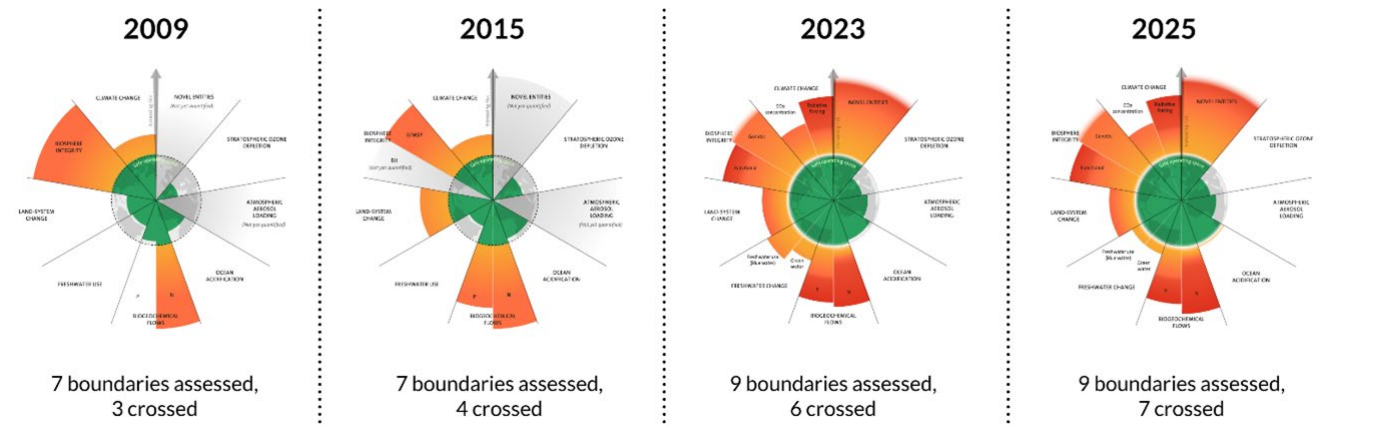
Business School, helps us to discover how conscious businesses are addressing planetary boundaries, avoiding greenwashing, and adopting regenerative models to create a sustainable future.

In 2009, Johan Rockström, then director of the Stockholm Resilience Center lead a group of 28 internationally renowned researchers and proposed a new Earth framework system to measure the planet's health. It can be used by governments and corporations to know what the "Safe Operating Space for Humanity" is. This space lies below the threshold within nine planetary boundaries (Rockström et al., 2009a, 2009b ; Richardson et al, 2023, Sakschewski and Cesar et al. 2025):

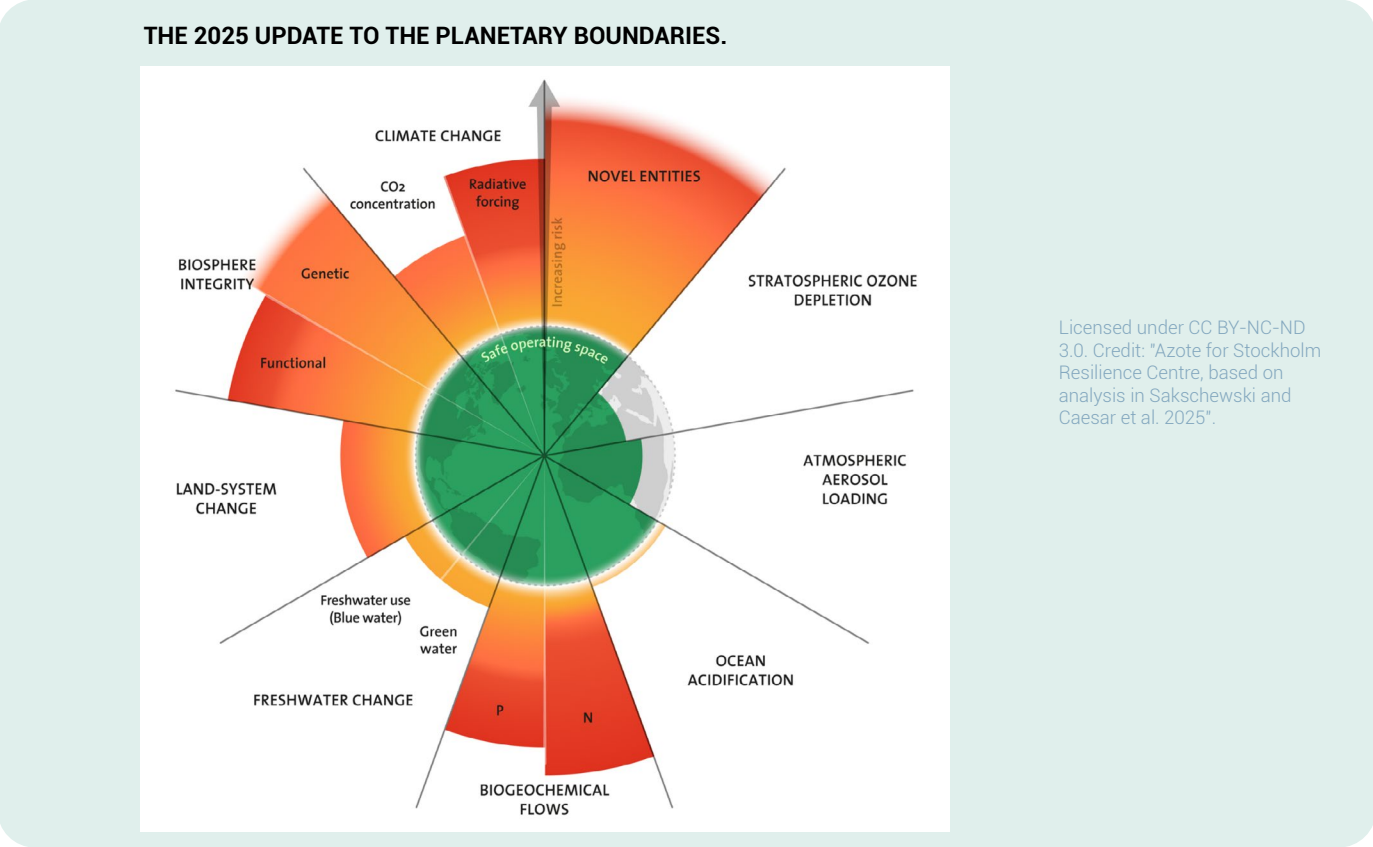
Climate change, biosphere integrity, land-system change, freshwater use, biogeochemical use, ocean acidification, atmospheric aerosol loading, stratospheric ozone depletion, chemical pollution and novel entities.

The research indicates that life can still thrive on earth within the thresholds, but that the Earth can shift into a dangerous new state if the thresholds are crossed.

In 2009, we had crossed three of the nine planetary boundaries, and the most recent publication in 2025 showed that we have crossed seven of the nine safety thresholds :



The evolution of the planetary boundaries framework
Licenced under CC BY-NC-ND 3.0 (Credit: Azote for Stockholm Resilience Centre, Stockholm University. Based on Sakschewski and Caesar et al. 2025, Richardson et al. 2023, Steffen et al. 2015, and Rockström et al. 2009).



Erin Billman, the executive Director of the Science-Based Target Network said that the goal is to move toward “the equitable net zero carbon nature-positive future that is needed in the environmental space.”

The space within which Conscious Businesses need to operate has been well defined by this framework, and organizations at different stages of consciousness have taken it into account.

GIANTS FIRST

It is encouraging to see that large corporations which we sometimes label as the “bad students” also have positive initiatives, and are growing. For instance, Walmart has a Zero waste initiative and ambitious goals to shift towards a circular economy by 2025 in the US, Canada and Japan (source). For mastodons like that, change takes time, and a 1% decrease in their waste production – as they did in 2017 – means a large impact down the road. Yet, the concerns about Greenwashing remain valid and helpful to help

the mastodons be more in integrity with who they claim they want to become.

To help in that direction, the marketing agency TerraChoice defined Seven Sins of Greenwashing (source):

- #1 Sin of the Hidden Trade-Off
- #2 Sin of No Proof
- #3 Sin of Vagueness
- #4 Sin of Worshipping False Labels
- #5 Sin of Irrelevance
- #6 Sin of Lesser of Two Evils
- #7 Sin of Fibbing.

They conducted a study in Canada and the U.S. in 2008-2009 which showed that 98% of the products tested committed at least one of these 7 sins of greenwashing.

Many certifications exist to track and trace the claims of companies for environmental friendliness (think Fair Trade, different Organic labels, and others).

CONSCIOUS BUSINESSES ARE GAME CHANGERS

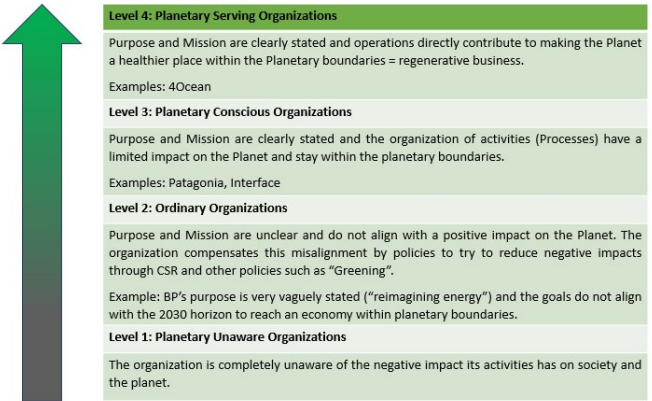
In a Conscious Business, the game changes completely. Indeed, most unconscious companies try to compensate for activities they are carrying out, to “minimize their impact.”, while their main mission remains with a limited Purpose. For instance, BP states that “Our purpose is reimagining energy for people and our planet. We want to help the world reach net zero and improve people’s lives.

We will aim to dramatically reduce carbon in our operations and in our production, and grow new low carbon businesses, products and services.” Yet, despite that stated purpose, most of today’s revenue come from fossil fuel consumption. BP has announced that it intends to cut by 40% it’s oil and gas production by 2030 (source).

Companies are developing regenerative business models, such as Interface Inc., which designs carbon-negative flooring solutions through circular production and biomimicry; Danone, which is transforming its supply chains through regenerative agriculture that restores soil health, biodiversity, and water cycles; and Patagonia, which integrates environmental restoration into its core mission by funding grassroots activism, promoting circular consumption, and committing its ownership structure to protecting the planet and 4ocean, which removes plastic waste from oceans and coastlines through a business model directly tied to funding large-scale marine ecosystem restoration.

NGOs are also essential actors contributing with innovation, such as The Ocean Cleanup, whose goal is to have filtered and recycled 90% of the Ocean’s plastic waste through its technologies.

To get a clearer picture of different organizations commitment to the Planet, we can distinguish 4 levels of Planetary Consciousness of organizations based on the Planetary Service they provide to Earth:



Levels of Planetary awareness of organizations

Note that in Level 4 organizations, greenwashing is impossible since the explicit Purpose of the organization itself is to make the Planet a cleaner place. They are the standard setters. For instance, the non-profit Sadhana Forest is a vegan community which creates afforestation and reforestation projects in India, Haiti and Kenya through highly effective permaculture-based practices. They too would be an example of a Level 4 organization.

CONSCIOUS BRANDS ARE LIVING THEIR PURPOSE ALIGNED WITH THE PLANET’S NEEDS

“We’re in business to save our home planet. We aim to use the resources we have - our business, our investments, our voice and our imagination - to do something about it.”

Yvon Chouinard, founder of Patagonia

Brands such as Patagonia have already shown their commitment, by donating 1% of their sales to the preservation and restoration of the natural environment. For Patagonia, this has resulted in a total of \$89 million donated to grassroots environmental groups making a difference in their local communities. When President Trump cut corporate taxes during his first mandate, Patagonia donated the 10 million USD in savings to environmental groups. Another example is the brand Seventh Generation which was nominated in the Top 50 most sustainable brands in the world.

Their motto:

“In our every deliberation, we must consider the impact of our decisions on the next seven generations.” The Great Law of Iroquois Confederacy

Obviously, businesses which have a positive impact on the planet, and are aware and working on reducing their negative impact will be more sustainable in the long term. Furthermore, this contributes directly to the well-being of the employees (the Psyche). Businesses that can develop symbiotically with Nature offer long term gains and prosperity. In this sense, innovations and practices such as biomimicry, carbon offsetting (with its three phases of carbon reduction, carbon neutrality, and carbon positivity), circular economy, upcycling, and renewable energies are great avenues for creating a more synergetic relationship between business and planet.

Organizations can evolve from a Level 4 Organization to a Level 1 type. What kind of organization would you like to work with? What would it take for you to be a change agent within your existing organization?

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KEY TAKEAWAYS

- The planetary boundaries framework shows the “safe operating space” within which humanity and business can thrive.
- Business must move beyond minimising harm. Conscious Business means making the planet part of the organisation's core purpose, rather than simply compensating for environmental damage.
- Greenwashing undermines genuine progress. Environmental claims need evidence, transparency and integrity; the “seven sins” provide a useful warning against superficial sustainability.
- Regenerative models change the game: Circular production, biomimicry, regenerative agriculture, renewable energy and restoration can make business activities actively beneficial to nature.
- Purpose-driven businesses can become game changers. Organisations such as Patagonia, Interface, Danone and 4ocean demonstrate how planetary concerns can be embedded directly into business models and missions.
- Businesses that develop symbiotically with nature can strengthen environmental resilience, employee well-being and their own long-term financial sustainability.
- The real shift is from asking “How can business reduce its impact?” to “How can business actively serve the planet while creating lasting prosperity?”

Disclosure: These key takeaways were generated with the assistance of AI.



Enlighten. Lead. Change.

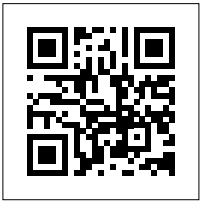


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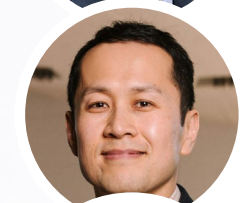
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THE STRUCTURE OF GLOBAL SUPPLIER NETWORKS: HOW THEY MAY QUIETLY SHAPE CORPORATE ESG CONTROVERSIES



Geographically dispersed supply chains increase the probability of supplier-induced ESG controversies.



Profs. **Sangho Chae**, Warwick Business School, **Igor Filatotchev**, King's Business School, King's College London, **Seongtae Kim**, School of Business, Aalto University, and **Byung-Gak Son**, Bayes Business School, explore how growing complexity and geographical dispersion of global supply chains may pose significant challenges in ensuring environmental, social, and governance (ESG) standards for Multi-National Enterprises.

Related research: Chae, S., Filatotchev, I., Kim, S. et al. Small worlds within global supply chains: implications for multinational enterprises' environmental, social, and governance controversies. J Int Bus Stud 56, 807–818 (2025). <https://doi.org/10.1057/s41267-025-00796-w>

THE INVISIBLE SIDE OF GLOBALISATION

Modern supply chains are rarely linear systems. They stretch across continents, linking firms to hundreds, sometimes thousands, of suppliers, subcontractors and production sites.

For multinational corporations, this global reach brings obvious advantages – lower production costs, access to specialised suppliers & expertise and proximity to different markets.

However, beneath this stillness of efficiency lies a latent tension.

The wider the supply chains stretch geographically, the more difficult it becomes to see what is actually happening inside them. Sustainability policies written at global headquarters in London, Paris or New York do not always trickle down to factories in distant regions. And between those policies



and their implementation lie differences in language, legal structures, cultures and monitoring capabilities.

In addition, geographically dispersed global supply chains tend to increase coordination complexity, which makes it difficult for an MNE (Multi-National Enterprises) to manage suppliers' adoption and compliance with its ESG best practices.

Resultantly, ESG controversies often emerge from somewhere deep within the supplier network, even when not by the corporation itself. However, public perception rarely draws clear boundaries between the corporation and its supply chain. The scandal travels upstream. The reputational damage does too.

WHEN DISTANCE CREATES ETHICAL BLIND SPOTS

Furthermore, Prof. Sangho Chae and his fellow researchers posit that geographical dispersion creates what might be called ethical distance.

As suppliers become scattered across multiple countries, coordination becomes increasingly difficult. Information moves more slowly. Monitoring weakens. And sustainability standards may be interpreted differently across contexts. The challenge is not simply physical distance. It is organisational complexity.

A company may have robust ESG policies on paper; but enforcing them across layers of suppliers is a different ball-game altogether. Lower-tier suppliers – suppliers of suppliers – may operate far from the focal company's direct visibility. In such environments, opportunistic behaviour can quietly flourish.

As such, the researchers suggest that geographically dispersed supply chains increase the probability of supplier-induced ESG controversies. Their empirical analysis of Fortune 500 U.S. firms between 2010 and 2019 supports this argument. Companies with more geographically dispersed suppliers experienced significantly higher levels of ESG controversies linked to suppliers.

Complexity itself becomes a governance problem.

THE “SMALL WORLD” EFFECT

Chae et al introduce an elegant idea borrowed from network theory: small-world networks. The concept refers to networks where actors remain closely connected despite scale.

Small-worldness describes an MNE's global supply chain with high local clustering and short average path length to other MNEs, creating a network where information exchange and social norms around ESG practices are fostered.

In these networks, clusters of firms interact frequently, while pathways connecting firms remain relatively short. Therefore, information travels more efficiently, and behaviours become more visible to others within the network.

The paper argues that this structure matters enormously for ESG governance. Within tightly connected networks of firms and suppliers, unethical practices become harder to hide. Information circulates more quickly. Peer scrutiny intensifies. Firms gain greater visibility over supplier behaviour, while suppliers themselves become more aware that misconduct may trigger reputational or commercial consequences.

Such connectedness fosters community governance, promoting shared norms of acceptable behaviour across supply chain members. In other words, the network begins to regulate itself.

Interestingly, the authors found that an MNE's supply chain small-worldness weakens the positive relationship between the geographical dispersion of its suppliers and supplier-induced ESG controversies.

Firms embedded in stronger small-world networks experienced fewer ESG controversies despite operating globally dispersed supply chains. The issue may not simply be how global a supply chain becomes, but how connected, tight-knit and visible the relationships remain within it.

BEYOND CONTRACTS: WHEN REPUTATION BECOMES NETWORKED

Traditionally, multinational firms have relied on formal governance tools such as supplier contracts, compliance systems and monitoring mechanisms to manage ESG risks. Yet the study suggests that contracts alone may struggle to keep pace with the growing complexity of global supply chains. As suppliers spread across jurisdictions with different legal systems, cultures and standards, visibility weakens and ethical risks become harder to detect.

This is where network structures begin to matter. Highly connected supply chains strengthen information flows, increase peer visibility and allow sustainability norms to diffuse more naturally across firms. The paper therefore shifts attention away from isolated buyer–supplier relationships toward broader network dynamics.

This matters because reputational risk itself has become deeply networked. Today, stakeholders increasingly hold corporations accountable not only for their own actions, but also for the practices embedded within their supply chains. Consequently, ESG controversies travel rapidly across networks, shaping investor confidence, public trust and corporate legitimacy. The supply chain is no longer a hidden infrastructure operating quietly in the background; it has become part of the corporation's public identity.

THE HUMAN SIDE OF NETWORK STRUCTURES

What makes this research especially engaging is that it transforms what initially appears to be a technical discussion into something deeply human. Terms such as “small-



worldness" or "network clustering" may sound abstract. Yet beneath them lies a simple insight: relationships matter.

The study essentially argues that ethical governance becomes easier when firms remain socially and informationally connected to one another. Isolation weakens accountability. Connection strengthens it. This creates an interesting contradiction within globalisation itself.

Modern business often celebrates decentralisation, outsourcing and scale. Yet sustaining ethical standards may require rebuilding forms of closeness within these enormous systems – not necessarily geographical closeness, but relational closeness.

In that sense, the research quietly reframes sustainability not merely as a compliance issue, but as a question of organisational architecture.

WHEN VISIBILITY BECOMES GOVERNANCE

This research offers important insights for multinational firms managing increasingly complex global supply chains. Simply reducing the geographical spread of suppliers may not always be commercially realistic, especially when firms rely on global sourcing advantages. However, the study suggests that the structure of supply chain relationships can significantly influence ESG outcomes.

For managers, it may therefore be valuable to strengthen interconnectedness across supplier networks rather than focusing only on isolated contractual oversight. Encouraging stronger relationships between suppliers, increasing visibility across supply chain tiers, and building closer collaborative ties may help reduce ethical blind spots within dispersed networks.

The findings also resonate beyond corporations themselves. ESG controversies within global supply chains often affect workers, communities and environments in regions where local stakeholders possess limited power or visibility. In this context, stronger supply chain governance may contribute not only to reputational protection for firms, but also to broader social accountability across global business systems. ///

KEY TAKEAWAYS

- Reputational risk has become deeply networked, with stakeholders increasingly holding firms accountable for supplier behaviour.
- Geographically dispersed supply chains increase the difficulty of monitoring ESG practices across suppliers.
- ESG controversies often emerge from supplier networks rather than directly from the focal corporation itself.
- The complexity of global supply chains can weaken coordination, communication and ethical oversight.
- "Small-worldness" refers to tightly connected supply chain networks where information flows more efficiently.
- Firms embedded within stronger small-world networks experience fewer supplier-induced ESG controversies.
- Network visibility and interconnectedness can strengthen governance beyond formal contracts alone.
- The research highlights that sustainability governance depends not only on scale, but also on the quality of relationships within global supply chains.

Disclosure: These key takeaways were developed with editorial assistance from artificial intelligence based on the original article text.

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Constraints can in fact provide a hidden gift, prompting professionals – and corporates – to create solutions for purposeful business.



State-owned companies throughout the world face the paradox of fulfilling their purpose in terms of social mission, creating revenue and leading the ecological transition. How can they deal with this and win across all three? Research from Prof. **Qinqin Zheng, School of Management Fudan University**, focuses on the case of the Shanghai Metro and the lessons it can provide for public sector firms aiming for people, planet, and profit.

Related research: Sustainability-Oriented Low-Carbon Innovation in SOEs: A Case Study of Shanghai Metro. Guangyao Yu, Qinqin Zheng, Xueying Lin, and Kaiqi Yuan. MDPI Sustainability, Sustainability 2023, 15(23), 16216; <https://doi.org/10.3390/su152316216>

THE DIFFICULTY IN BEING A ROLE MODEL

Climate change and the pressing need for governments, the public and private sectors to tackle it has become one of the major issues of our times. International legislation, the UN SDGs and commitments made through the COP series of conferences have seen economies adopting various measures to decarbonise. In the forefront, state-owned enterprises – or SOEs – across the globe are expected to pave the way and act as green pioneers for innovation among their private-sector counterparts for carbon footprint reduction.

However, by their very nature and purpose, SOEs find themselves in something of a challenging situation in this new context – not to say a paradox. This is born from their inherent mission to maintain a diversity of value for their stakeholders:

THE GREEN LIGHT TO SUSTAINABILITY INNOVATION: HOW THE SHANGHAI METRO RAN FOR LOW-CARBON

social utility through their goods or services to the public, financial performance, and environmental benefits. In addition, being answerable to the state, the pressure is on SOEs to implement national strategies and policies with expectations to take on an increasing role in protecting the environment through measures such as pollution control. Moreover, as players in the market and naturally supporters of national development, SOEs need to target financial returns and create profit and increased value. As such, public sector companies face a paradox of competition goals – social, environmental, and economic.

Under such pressure, and combined with aggressive legislation on low-carbon emissions, SOEs in some countries have seen their workforces cut, production output reduced, and high-carbon emitting yet high-profit activities sold off. We could suppose that government policies targeting carbon reduction add to the incentive to push for green solutions, though research has produced mixed results. While some SOEs are indeed influenced – with more available access to state loans for low-carbon initiatives – others have found legislation to have little or even negative results on SOEs' performance caused by the high costs of replacing or repairing equipment and infrastructure, inadequate investment, and low technical efficiency.

But all is not doom and gloom. In fact, such constraints and pressures have generally pushed SOEs to adopt an innovative approach to sustainability. Indeed, in many instances, it is crucial for them to adopt innovative strategies to deal with the paradox they face – that is, generate profit, provide social utility and benefit, and reduce carbon emissions.

And this provides the setting for new research carried out by Prof. Qinqin Zheng of School of Management Fudan University in Shanghai, one of the foremost academic institutions in Asia. She and her fellow researchers use the context of China and the specific case of the award-winning Shanghai Metro to analyse how SOEs successfully launch sustainability-oriented innovation and – more specifically – sustainability-oriented low-carbon innovation (SLI) initiatives.

NEXT STOP: A GREEN GIANT

In the last twenty years, and with an average GDP growth rate of 10%, China has become the second-largest economic power in the world behind the USA. Such economic expansion has come with a price, China topping the list of global carbon emitters as way back as 2009 and experiencing negative environmental impacts. However, China is also among the leading countries worldwide to implement green initiatives and innovations (this correspondent witnessed the progress at first hand during a visit to Shanghai in late 2024), and is not only active in all global sustainability initiatives – for example, the UN SDGs, the Paris Agreement, or the Convention on Biological Diversity – but has gone further than most in proactive measures on greenhouse gas emissions in line with its 2030 Agenda for Sustainable Development (Nestorovic, Cédomir, Geopolitical Perspectives on China's Sustainability Initiatives, book chapter, 2025).



Indeed, China's "dual carbon" goals that set the peak for carbon emissions by 2030, coupled with a goal to reach carbon neutrality by 2060, have put enormous pressure on state-owned enterprises to walk the talk and set the example as pioneers for the private sector to follow.

Enter the Shanghai Metro whose record in coping with the paradox of its mission versus sustainability goals may provide useful lessons for others across the globe to follow. A typical Chinese state-owned enterprise, the firm first began operating in 1993. Now the owner of the most extensive network in the world – a staggering 20 metro lines, with 508 stations covering 831 km – the Shanghai Metro transports over 10 million users per day, roughly 70% of the total public transport system in the city. Responding to the state-encouraged sustainability goals, the Shanghai Metro was the first to introduce low-carbon initiatives in 2006.

However, it hasn't been a totally smooth ride for the SOE. Faced with its multiple social, financial and operational goals – sometimes vaguely defined – it has had to navigate through continually evolving environmental protection policies and legislation, as well as constraints on low-carbon development. Moreover, its work isn't yet over, notably regarding the need to reduce its consumption of electricity which counts for a staggering 2.5 billion kWh annually. On the other hand, its commitment to going green has seen several measures to control and reduce emissions and is something of a show case in terms of innovations that effectively balance its economic, social and environmental obligations.

A RED LIGHT CAN TURN GREEN

As mentioned, constraints can in fact provide a hidden gift, prompting professionals – and corporates – to create solutions and, in the case of state-owned companies, incite them to play an essential role in encouraging sustainability-oriented innovation.

Its societal and financial performance missions aside, increasingly strict environmental regulations on carbon regulation over the past twenty years have set the Shanghai Metro tough targets in energy saving and carbon reduction.

Indeed, two successive five-year plans since 2006 have led to energy reductions of 20 and 17% resulting in a lowering of carbon emissions of 18%. Recent developments have included the setting up of a system for controlling energy intensity and consumption, energy indexes and renewed emphasis on carbon reduction.

Given the massive amount of new tracks and stations built, a further constraint on the Metro has been the challenge of combining infrastructure growth – and subsequent large-scale operations – with a parallel objective to reduce carbon emissions. This has triggered emphasis away from construction projects to operating efficiency with the overarching target to reduce the energy consumption of the underground system. Moreover, at the same time, demand for low-carbon transport systems has rocketed, with expectations of quality of service remaining high.

And finally, going deeper into the financial constraints, while previously the renewal and modernizing of energy-carbon intensive equipment – air conditioning, lighting and electric engines – engendered hefty reductions in emissions, the potential for energy savings had gradually shrunk leading to increasingly smaller marginal returns on these investments. The financial pressure hasn't gone away – especially with the Chinese economy going through a period of lower overall growth – with the government reducing its financial support and revenue from ticket sales down. The answer has been to look for new revenue streams to ensure growth and prevent long-term decline. This is where innovation comes in.

INNOVATION IS....

Some of us may have participated in brainstorming and conceptualizing new products or services in our professional lives. However, innovation goes beyond that to encompass a multi-stage process where organisations transform new ideas into enhanced processes, products and services, or business models. These may have various strategic aims that bring particular financial, social and environmental benefits. Moreover, setting up and organising innovation requires large amounts of capital and tech resources and its impact depends on how these resources are managed and made to work together throughout the various departments and teams.

As seen, under pressure from a number of constraints, state-owned firms are forced to innovate sustainability-oriented innovation (SOI) which typically follows a three-stage process of sensing and ideation, configuration, and transformation. SOI emphasises the notion that innovation should not only ensure financial advantage for companies, but also provide environmental and social benefit in line with John Elkington's Triple Bottom Line of people, planet, and profit. In the specific context of the Shanghai Metro case, it's more relevant to focus on sustainability-oriented low-carbon innovation (SLI) rather than the broader concept of SOI to address the challenge of benefiting the TBL dimension.

The first phase in innovation – that of sensing and ideation – involves gathering information, analysing it, interpreting it, giving meaning and conceptualising and is accompanied by

the generation of ideas. It is important here to first understand the external context, changes, new technologies, threats and opportunities that will impact the company before taking into account the internal environment, reaching consensus and agreeing on potential solutions before moving on to taking action. Not least, innovation is change – and subsequently requires a shift in values and behaviours towards sustainability from the out start. The Shanghai Metro acted on it by launching a "Low Carbon at Work" project for its employees that promotes awareness, using ecogestures in daily work, and setting up a reward and sanction system to change energy consumption behaviour.

The firm is active in gaining and interpreting institutional information including five-year plans, government statements and industrial policies to assist in understanding and decision-making. And in this sense, it transitions from passive to active mode, interpreting and transforming government guidelines into a license for rapid innovation.

The second stage of innovation is configuration. It is here that the various internal players – directors, project managers and team leaders – need to set up, manage and coordinate the organisation's resources and capabilities to obtain value from the initial ideas. Practically, this amounts to a 4-pronged approach of acquiring and leveraging resources, creating new departments and structures, research and experimental development, and cooperation and learning.

And lastly, transformation calls for the implementation and development of the innovation into practice, all the while aiming for continuous a review and renewal to maintain a competitive edge. In essence, transformation refers to applying a range of new techniques and management practices to bring an innovation to market. In the Shanghai Metro case, this has manifested itself in the establishment of a low-carbon management system, applying low carbon technologies, developing a low-carbon business, and building low-carbon collaboration networks.

TICKET TO RIDE

Given the context, constraints and innovation process, Shanghai Metro's track record in sustainability-oriented innovation is impressive. Linked to its vision for the future to provide a safe, efficient, and high-quality low-carbon commuting service while building a "green metro", notable accomplishments are the improvement of the energy monitoring system, a four-stage road map for low-carbon practices, and the setting up of a Rail Transit Technologies R&D Center – facilitating cooperation between industry, universities and companies – that has undertaken more than 600 R&D projects and obtained over 100 patents in the last ten years.

In addition, Shanghai Metro uses something called the Sunshine Procurement Platform to work with environmentally-friendly suppliers and has signed a long-term partnership with Longi and Huawei to provide low-cost, efficient and customised components for solar panel construction, enabling Shanghai Metro to achieve the industry's first "Metro + Photovoltaic" initiative.

Another innovation relates to construction of new underground stations in the guise of award-winning (International Tunnelling Association and LEED Silver certification) “non-excavation” techniques involving the recycling of waste for road repair, backfilling and foundations which has resulted in converting over 100,000 cubic meters of waste materials into valuable, on-site resources, reducing solid waste pollution, and minimizing disruption to the transportation system.

In terms of developing low-carbon business, Shanghai Metro set up the subsidiary New Energy Co., Ltd whose main business revolves around energy conservation consulting and power development. Its achievements include the reduction of 37,795.32 tons of carbon dioxide emission through photovoltaic systems and the generation of 58m Yuan in revenues that are ploughed back into the Shanghai Metro to finance its green revolution. Going further, the firm has expanded its consulting activities to cover low-carbon certification and green tech services.

Customer awareness also plays a part in the big picture of sustainability. As a fully-automated Smart Metro, Shanghai Metro offers incentives for citizens to use the underground system, promotes green and eco-friendly lifestyles, and offers QR-code promotional campaigns to adopt them.

THE JOURNEY AHEAD

State-owned companies and governments worldwide can draw several key lessons from this case. Clearly, encouraging sustainability-oriented low-carbon innovation activities – acquiring low-carbon resources, building low-carbon management systems, investing in low-carbon technologies, cooperating with low-carbon networks, and learning from others are important factors. SOEs would be wise to keep an eye on shifts in technology and changes in low-carbon developments. Sustainability in general, and sustainable innovation, need to be at the core of the SOE’s mission and endorsed by senior management and state stakeholders. Government frameworks for their SOEs also need to be more supportive of sustainability and allow for dedicated funding for SOEs to achieve their green goals. They could also help by setting up trading platforms for low-carbon tech to stimulate R&D and the commercialization of it.

All in all, far from shying away from the tensions and constraints generated by the paradox of a state-owned firm’s purpose of social and financial requisites and sustainability goals, these should be embraced to trigger innovation and solutions. For the invention, development and roll out of new ideas is a source of continuing vitality for both firms, the planet, and positive change in society. ///

KEY TAKEAWAYS

→ State-owned enterprises (SOEs) face a challenging paradox of balancing three key goals: social utility, financial profitability, and environmental sustainability. This tension often serves as a catalyst for innovation in sustainability practices.

→ Chinese SOEs are expected to lead in low-carbon innovation, acting as green role models for the private sector. However, aggressive carbon reduction policies can also strain SOEs, necessitating innovative approaches to sustain profitability while meeting ecological goals.

→ The Shanghai Metro, the world’s largest metro network, exemplifies how SOEs can innovate in response to sustainability challenges. Despite significant constraints, it has implemented low-carbon initiatives since 2006, achieving reductions in energy use and emissions.

→ Sustainability-oriented innovation (SOI) involves three key phases: **Sensing and Ideation:** Understanding external trends and internal capabilities, generating ideas, and fostering a culture of sustainability. **Configuration:** Aligning resources, creating structures, and collaborating internally and externally. **Transformation:** Implementing and refining innovations to achieve measurable impact.

→ Shanghai Metro’s partnerships with companies like Huawei and Longi for solar solutions, along with its R&D initiatives, highlight the importance of collaboration in achieving sustainability goals. The Metro has obtained over 100 patents and completed 600 R&D projects.

→ Facing reduced government funding and lower ticket revenue, Shanghai Metro diversified its revenue streams, establishing a subsidiary for energy conservation and power development. This generated revenue while reducing emissions.

→ **Lessons for Global SOEs and Governments:** Encouraging sustainability-oriented low-carbon innovation requires:

- Supportive government frameworks and funding.
- Adoption of green technologies and practices.
- Embracing constraints as drivers of innovation to achieve the Triple Bottom Line: people, planet, and profit.

Disclosure: These key takeaways were generated with the assistance of AI.

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BUSINESS & SOCIETY

76

THE ALGORITHM AND THE COMPASS:
BIG DATA ANALYTICS AND DECISION-MAKING
BY YAN LI

82

THE PHOENIX AND THE LOAD SHEDDING:
YOUTH ENTREPRENEURSHIP AS SOUTH
AFRICA'S RADICAL CURE
BY THOBILE N. RADEBE,

88

THE SOCIAL ENTREPRENEURS WE OVERLOOK:
WHY PURPOSE SURVIVES EVEN WHEN
OPPORTUNITY DOES NOT
BY EDGARD BARKI, THOMAZ NOVAIS ROCHA
& ANDRÉ SAMARTINI

94

THE SILENT CHASM: THE
LOW-TRUST DISCONNECT BETWEEN WORKERS
AND LEADERSHIP IN SOUTH AFRICA
BY ARMAND BAM, ANDREW INNES AND
LINDA RONNIE

100

THE DIGITAL COMPASS AND THE LADDER
OF ENGAGEMENT: WHAT MAKES US CLICK
OR SAVE?
BY AYUSHI TANDON, SWANAND J. DEODHAR,
ABHAS TANDON AND ABHINAV TRIPATHI

THE ALGORITHM AND THE COMPASS: BIG DATA ANALYTICS AND DECISION-MAKING



BDA fundamentally changes the way we learn. It teaches us to break down our own thoughts and accept that our cognitive shortcuts are working hypotheses, always ready to be revised.



Prof. **Yan Li, ESSEC Asia-Pacific**, and her fellow researchers explore the influence of Big Data Analytics (BDA) in shaping strategic decision-making. Could it spell the end of pragmatic but imperfect human short cuts in arriving at a choice? It depends, say the researchers, pointing to the role that complex, dynamic and uncertain environments play.

Related research: How Does Big Data Analytics Shape Human Heuristics Adaptation in Strategic Decision-Making? Jin Chen, Cheng-Suang Heng, Yan Li et Xi Chen, Journal of the Association for Information Systems, 2024.

The duel is age-old: on one side, cold, methodical and exhaustive 'calculation'; on the other, the decision-maker's dazzling intuition, that often indefinable 'flair'. Since the advent of big data analytics (BDA), many have predicted the end of human heuristics—those cognitive shortcuts that allow us to navigate uncertainty—in favour of purely algorithmic rationality.

Yet the history of organisations is not one of wholesale replacement, but of a new alchemy. Between the surgical precision of the machine and the plasticity of the mind, a major study conducted by Prof. Yan Li and her colleagues explores how BDA, far from stifling our intuition, becomes the chisel that sculpts it to better face the unpredictable.

THE MIRROR OF LITERATURE: HEURISTICS VS. BIG DATA

To fully understand the issue, we need to go through what the literature refers to as 'strategic decision-making'. This is characterised by a lack of structure and radical uncertainty, made even more difficult by the limited processing capacity of leaders. This is where heuristics come in: simple rules that are easy to remember and quick to adapt.

- Alternatives: The available decision options (e.g., which market to enter?).

- Cues: The key information considered when evaluating these options (e.g., labour costs).

- Relationships: The logical links, often linear in the human mind, that connect cues to alternatives (e.g., 'if costs fall, profits rise').

In contrast, Big Data Analytics promised to uncover the 'truth' in data and correct human biases. Some authors went so far

as to suggest that BDA should replace judgement rather than complement it. However, this study highlights three critical limitations of the algorithm: its dependence on predefined objectives, its tendency to favour short-term success, and the opacity of its 'black box'.

In reality, the value lies not in choosing between humans and machines, but in their interplay: how does the abundance of data qualitatively transform our mental shortcuts?

THE 3 MODES OF SCULPTURE: HOW BDA SHAPES INTUITION

Prof. Yan Li et al's research reveals that BDA does not replace our heuristics, but rather causes them to mutate through three distinct modes of adaptation.

First, we have alternative reorientation where BDA replaces invalid options or broadens the scope of possibilities. The example of the T-Video app is striking: the company initially targeted the music market by analogy with the video game

market. However, data analysis revealed poor retention. At the same time, a segmentation analysis showed massive potential in video, an unsuspected 'Blue Ocean'. Within a week, the data validated this new alternative, prompting executives to abandon their initial intuition in favour of a more robust option.

Secondly, BDA allows something called cue-patching. It permits us to revise the information we rely on, removing misleading indicators or adding new 'signals'. By analysing correlations, S-Social discovered that 'address book synchronisation' was a much more powerful predictor of future retention than traditional industry indicators. They 'patched' their heuristics by incorporating this specific indicator, thereby improving their ability to anticipate.

Finally, there is relationship conditioning. In this instance, BDA modifies the understanding of the links between indices and alternatives. Where humans see linear and simple relationships, the machine reveals multidirectional and non-linear causalities. The company X-Payments has thus learned to adjust the 'weights' of its risk indices in real time, understanding that the interaction between geolocation and the type of bank card cannot be summarised by a simple arithmetic sum, but by a complex integration algorithm.

One of the most innovative discoveries of this research is what the authors call the pinning mechanism. For adaptation to be effective in chaos, the human mind needs reference points. BDA provides this clarity by 'pinning' (holding fixed) one component of the heuristic (e.g., the alternatives) to serve as a basis for comparison while adjusting the others (the indices or relationships). Without this anchor point, the decision-maker would be faced with an explosion of information, unable to discern whether the change in outcome is due to new data or a change in logic.

THE COMPASS OF UNCERTAINTY: COMPLEXITY VS. DYNAMISM

The effectiveness of these modes of sculpting depends radically on the nature of the environment, a crucial distinction between complexity and dynamism.

- In high complexity: The environment is teeming with elements in non-linear interaction. Here, BDA acts as a microscope on relationships. The study shows that adaptation then takes place through a hybrid mode (C&R): indices are corrected and relationships are reconditioned simultaneously to break down causal entanglement.

- In high dynamism: Everything changes quickly and unpredictably. Alternatives that are valid at time T become obsolete at time T+1. BDA then serves as an expiry detector, prompting a reorientation of alternatives. E-Navigator thus realised that its discrete 'Bookmark' option was not generating enough data because users had become indifferent to small changes; the BDA invalidated this option and suggested a more daring one.

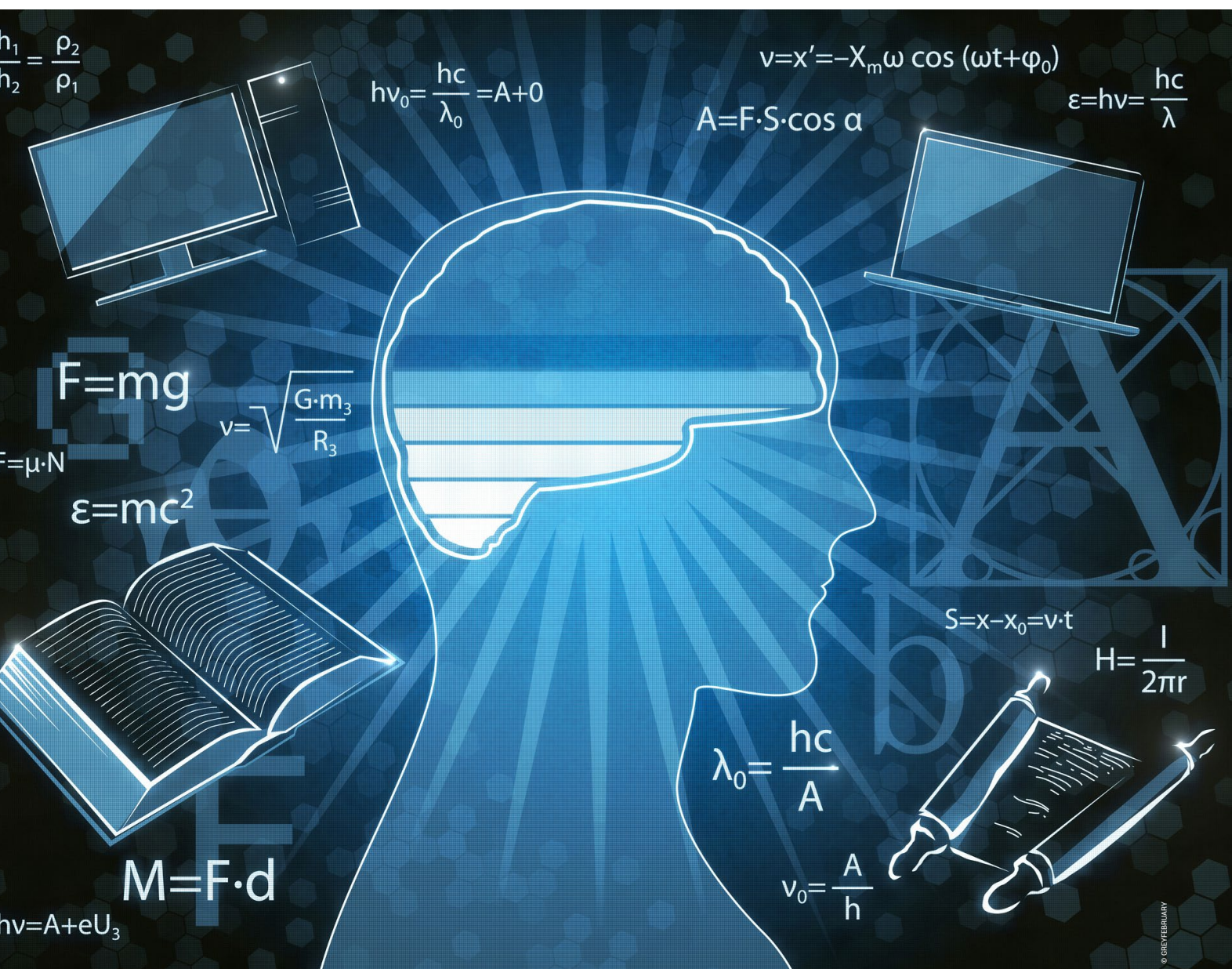


However, there is a threshold where the algorithm loses its way. When complexity and dynamism are both high, BDA can reach its limits. Data may be too scarce, or the correlations detected by the machine may be purely superficial and devoid of strategic meaning. This is where the study reintroduces the concept of business acumen.

For example, T-Video executives had to override their own algorithm, which recommended short videos because they were widely shared, but business acumen reminded them that the strategic objective was not sharing, but long-term retention, which was better served by longer formats. This is a form of phronesis—the practical wisdom dear to Aristotle—which allows the computing power of BDA to be realigned with the deeper logic of the business. In these extreme environments, humans no longer follow the machine; they intervene to ensure that the algorithm does not optimise an immediate objective (such as click-through rate) at the expense of overall, long-term satisfaction.

IMPLICATIONS AND LIMITATIONS OF BIG DATA ANALYTICS: TOWARDS SYMBIOTIC GOVERNANCE

Yan Li et al's research does not merely theorise – it offers a survival guide for the modern leader with significant implications. The data expert must no longer be a mere provider of retrospective reports, but integrated from the outset of the decision-making process to help formulate heuristics.



Helping to redefine the role of the expert, Hub & Spokes structures (data centres serving departments) must evolve towards closer collaboration, with analysts actively participating in strategic thinking. This will allow an improved organisational architecture.

In short, BDA fundamentally changes the way we learn. It teaches us to break down our own thoughts and accept that our cognitive shortcuts are working hypotheses, always ready to be revised. The researchers' study may have limitations as it focused on new product development, but it leads one to wonder whether other types of strategic decisions would respond in the same way.

THE CIVILISATION OF CONSTRAINT

Ultimately, Prof. Yan Li et al's research teaches us that artificial intelligence is not the death of human intuition, but its armour. It allows us to navigate uncertainty with a more accurate compass, capable of distinguishing weak signals in the noise of complexity.

Modern leaders must learn to collaborate with their algorithms without becoming their slave. In the end, true strategic performance lies in this ability to marry episteme (knowledge), technè (technical invention) and phronesis (practical wisdom). ///

KEY TAKEAWAYS

- ➔ BDA does not replace intuition; it reframes our mental heuristics.
- ➔ Three modes of action: change the options (alternatives), refine the information (clues) or rethink the logical links (relationships).
- ➔ The fixation mechanism stabilises thinking to better evaluate change.
- ➔ Contextual adaptation: complexity requires a review of relationships, dynamism requires a renewal of options.
- ➔ The primacy of the human: in perfect storms (complex and dynamic), business sense must take precedence over algorithms.
- ➔ Managerial symbiosis: involve analysts from the outset of the decision-making process to transform data into a cognitive compass.



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THE PHOENIX AND THE LOAD SHEDDING: YOUTH ENTREPRENEURSHIP AS SOUTH AFRICA'S RADICAL CURE

“

For South Africa, entrepreneurship should no longer be seen as an accidental or secondary path, but as a deliberate "developmental process" led by government and organisational programmes.



Youth unemployment is a major issue affecting not only governments but society as a whole throughout the world – with South Africa a prime example. **Thobile N. Radebe, Stellenbosch Business School**, and her fellow researchers, call for a youth-driven entrepreneurship economy that can provide a beacon of hope, wealth and meaning to the young and how government and society can make the necessary changes to make it happen.

Related research: Contextualising Entrepreneurship as a Panacea to Youth Unemployment in South Africa, Sbonelo Gift Ndlovu, Thobile N. Radebe, Victor H. Mlambo, and Sipho D. Nkonde, *Prizren Social Science Journal*, 2024.

With youth unemployment in South Africa standing at 46.5%, meaning nearly 4.8 million young people aged 15 to 34 are without work, the traditional "job seeker" model seems to have reached its limit. Based on the statistics, South Africa stands at a precipice where the demographic dividend—a young, vibrant population risks turning into a disaster. These statistics are not merely figures on a page; they represent a complex enigma that has mystified both the public and private sectors for decades.

The South African economy, at odds with an influx of individuals it cannot absorb, has seen a rise in demand for skilled labour even as its educated youth remain locked out of the market. In this volatile landscape, a group of researchers proposes a shift in perspective: entrepreneurship must move from being a survival tactic to becoming the country's primary economic panacea.

THE SCHUMPETERIAN SPARK

To understand how entrepreneurship can heal a fractured labour market, we must return to the foundations of classical economic thought. Thobile N Radebe et al's study has its roots in Schumpeter's 1934 Theory of Economic Development, which views the entrepreneur not just as a business owner, but as the central agent of "creative destruction".

In a Schumpeterian world, the entrepreneur revitalises the economy by identifying opportunities that disrupt outdated systems. For South Africa, this implies a radical evolution: entrepreneurship should no longer be seen as an accidental or secondary path, but as a deliberate "developmental process" led by government and organisational programmes. When entrepreneurs thrive and grow, they create a productive and competitive environment that expands the nation's total production capacity. The implication for the South African pool of expertise is clear: the state must pivot from being a direct provider of jobs to becoming the architect of an environment where "creative destruction" can flourish.

MOVING UP MASLOW'S PYRAMID

One of this paper's most notable reflections relates to the psychological state of South African youth. Why does South Africa have one of the lowest youth entrepreneurship propensities in Africa (23.3%), while countries like Malawi and Uganda soar above 55%. According to the researchers, one major answer lies in motivation and the hierarchy of needs. Drawing on Maslow's framework, the research suggests that for entrepreneurship to work, youth must see it as a pathway to fulfil all levels of human needs. Currently, for many, it is a desperate attempt to satisfy "physiological" needs – food and shelter. However, the study argues that if youth is encouraged to see entrepreneurship through the lens of "self-actualization" and "achievement," their engagement becomes

sustainable. This requires a cultural shift. Entrepreneurship must be marketed as a "lifelong career path" that offers social connections, self-esteem, and the power to be an agent of change. If a young person believes that starting a business is not just about survival but about "contributing to the greater good" and personal achievement, the propensity gap can be closed.

THE ROOTS

A panacea is useless if the patient's environment is toxic. Thobile N Radebe et al's study is brutally honest about the structural challenges that prevent South African entrepreneurial efforts, with reflection moving from individual willpower to systemic stability.

- The energy crisis: A country cannot industrialise or innovate in the dark. The "load shedding" (power outages) predicted for 250 days a year translates to an economic loss of \$12.7 billion annually. For small businesses, the "backbone" of the economy, losing R899 million daily across sectors is a death sentence.

- The decay of local government: While entrepreneurship is a local phenomenon, the institutions meant to support it are crumbling. With 93% of South African municipalities considered dysfunctional or struggling, local economic development policies often exist only on paper.

- The fiscal drain: Billions of rands – R478.5 billion to be precise – have been diverted to bail out failing State-owned enterprises. This drain on public funds directly reduces the capital available to incentivise youth start-ups or provide the infrastructure necessary for labour-intensive and value-generating sectors like agriculture and manufacturing.

The implication is stark: until the government fixes the "lights" and cleanses the local governance of corruption and irregular expenditure (which has reached R26 billion in one year), even the best entrepreneurship policies will struggle to take root.

POLICY VS. IMPLEMENTATION

South Africa does not suffer from a lack of policy – it suffers from a lack of impactful implementation. From the 1995 white paper on small business to the National Youth Development Agency (NYDA), the framework is present, but the results are less effective.

Radebe et al's research reflects on a critical mismatch: the education system. There is a sharp rise in the demand for skilled labour, yet even university graduates find it challenging to secure employment. The study suggests that the government's entrepreneurship drive should be spearheaded by Technical Vocational Education and Training (TVET) colleges. Unlike universities that focus on the theoretical aspect, TVET colleges offer a practical and theoretical blend that aligns with the needs of emerging entrepreneurs. Furthermore, the bureaucracy of administrative consistency continues to undermine business viability.

In this light, for entrepreneurship to be a panacea, the government must act as a facilitator by reducing these barriers and providing tailored support to the informal sector to encourage formalisation.

THE ROAD AHEAD: SUCCESS AS A DELIBERATE ACT

The National Development Plan (NDP) aims to reduce unemployment to 6% by 2030. For this to be more than a fantasy, the study advocates for "youth-driven entrepreneurship". The recent rise in Total early-stage Entrepreneurial Activity (TEA) from 10.8% to 17.5% shows a glimmer of hope, though much of it was driven by the necessity of surviving the COVID-19 pandemic.

The ultimate reflection offered by Radebe and her colleagues is that the future depends on "entrepreneurially aware problem solvers". This is not a task for the youth alone. It requires the state to address the "widespread decay" of critical sectors.

If the government can restore investor confidence, eliminate political misunderstandings that affect business, and invest in "real sectors" like manufacturing, youth can move from being discouraged to being innovative. Entrepreneurship in South Africa is currently an uphill battle. But, as Theobale N Radebe et al's concludes, it remains the only viable mechanism to keep youth productive, innovative, and capable of generating the income necessary to uplift the nation's standard of living.

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KEY TAKEAWAYS

- ➔ The 46.5% emergency: Youth unemployment is a structural crisis that traditional sectors can no longer solve, making entrepreneurship an economic necessity rather than an option
- ➔ The Schumpeterian mandate: Entrepreneurship must be viewed as a developmental process of creative destruction that revitalizes the nation's production capacity
- ➔ The motivation gap: South African youth have the lowest entrepreneurial propensity in Africa (23.3%); bridging this requires moving from survival motivation to self-actualization
- ➔ The infrastructure sabotage: Load shedding (costing R899 million daily) and municipal decay (93% dysfunctional) are the primary killers of SMME success
- ➔ Policy overhaul: Existing policies (NYDA, SEDA) are underperforming; success requires "eliminating red tape" and prioritizing practical TVET training over purely theoretical education
- ➔ The fiscal realignment: Capital must be redirected from bailouts of failing state enterprises toward "real sectors" like agriculture and manufacturing to empower youth
- ➔ The 2030 vision: To reach the 6% unemployment goal, the state must transition from being an employer to an ecosystem facilitator that stabilises power and restores local governance



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THE SOCIAL ENTREPRENEURS WE OVERLOOK: WHY PURPOSE SURVIVES EVEN WHEN OPPORTUNITY DOES NOT



Entrepreneurs from disadvantaged communities are not merely individuals responding to necessity, but actors capable of pursuing broader social missions.



Is social entrepreneurship mainly the domain of privileged individuals with access to capital and connections? Or might some of the most powerful solutions to social problems emerge precisely from the communities facing those problems every day?



Profs. **Edgard Barki**, **Thomaz Novais Rocha**, and **André Samartini** from **FGV-EAESP** explore the case of base-of-the-Pyramid social entrepreneurs in Brazil.

Related research: Barki E, Campos JGFD, Rocha TN, Salusse MAY, Samartini A (2026), "Internal and external drivers of social entrepreneurship: a comparison of base of the pyramid and more affluent social entrepreneurs". RAE: Revista de Administracao de Empresas, Vol. 66 No. 1 pp. 85–105, doi: <https://doi.org/10.1108/RAE-03-2026-0023>

Discussions about poverty and entrepreneurship seem to follow a different path. Entrepreneurs from disadvantaged communities are often considered as necessity entrepreneurs – individuals who create businesses primarily to secure an income or meet immediate needs.

However, in the recently published research paper titled 'Internal and external drivers of social entrepreneurship: a comparison of base of the pyramid and more affluent social entrepreneurs', Professors Edgard Barki, Thomaz Novais Rocha, André Samartini from FGV-EAESP and their co-authors explore a question situated at the intersection of entrepreneurship and



inequality. Comparing social entrepreneurs from Brazil's Base of the Pyramid (BoP) communities with their counterparts from more affluent backgrounds, the authors delve into the internal and external factors that shape, encourage or constrain entrepreneurial journeys.

LOOKING BEYOND THE NECESSITY ENTREPRENEUR

Mainstream literature tends to portray BoP entrepreneurs as "necessity entrepreneurs" with limited growth or innovation and seen through the lens of scarcity. Living in contexts characterised by low incomes, limited resources and institutional challenges, they are often assumed to focus on survival rather than broader social objectives.

Moreover, social enterprise initiatives often fail to meaningfully involve base of the pyramid (BoP) individuals in the solution-finding process, and instead position them as consumers, producers or beneficiaries.

Previous research has demonstrated that BoP SEs are often marginalised, stigmatised, lacking different kinds of capital, and facing additional challenges such as 'liability of

poorness'. As a result, BoP entrepreneurs often operate at the margins of the formal entrepreneurial ecosystem.

Despite growing recognition of the role BoP individuals can play as SEs, literature remains largely focused on either non-BoP SEs or BoP individuals as beneficiaries rather than as agents of change. As a result, limited attention has been paid to understanding what enables or constrains BoP SEs compared with non-BoP SEs.

To address this gap in understanding, the researchers surveyed 101 social entrepreneurs across Brazil in 2020 and 2021, comprising 41 BoP SEs and 60 non-BoP SEs. The study considered 6 interrelated internal and external drivers: entrepreneurial orientation, prosocial motivation, networking ability, life satisfaction, perceptions of environmental hostility and access to financial capital.

A SHARED COMMITMENT TO SOCIAL IMPACT

The clearest finding emerging from the research concerns prosocial motivation – the desire to benefit others through one's work.

Contrary to the dominant view that BoP entrepreneurs are necessity-driven, both groups demonstrated similar levels of prosocial motivation, revealing that BoP SEs are equally driven by social purpose

This finding is important because it directly challenges the idea that people facing resource constraints are primarily focused on their own immediate needs. Instead, the results suggest that social entrepreneurs at the BoP are equally committed to creating positive change for others.

For Prof. Edgard Barki and his colleagues, this finding contributes to a body of research that views entrepreneurs from disadvantaged communities not merely as individuals responding to necessity, but as actors capable of pursuing broader social missions.

THE WEIGHT OF STRUCTURAL CONSTRAINTS

Although the two groups shared similar social motivations, their entrepreneurial environments looked very different.

The study found that social entrepreneurs from Base of the Pyramid communities reported significantly lower levels of risk-taking and proactiveness. At first glance, these differences might appear to suggest lower entrepreneurial ambition. However, the researchers interpret them within the context of structural disadvantage.

BoP SEs perceive their environment as being slightly more hostile than non-BoP SEs. These perceptions may be shaped by their daily experience navigating institutional voids, such as a lack of infrastructure, weak public services and fragmented support systems. Operating in low-trust and under-resourced ecosystems, BoP SEs face uncertainty and risks that seem costlier, thereby affecting their ability to sustain SEs and scale impact. These findings align with the literature on institutional adversity.

Under such conditions, caution itself presents a rational response to uncertainty, rather than a lack of entrepreneurial spirit.

The findings therefore point towards a broader argument covered through the paper: entrepreneurial behaviour does not emerge in a vacuum. It is constantly cultivated. Nurtured. And shaped by the social and economic environments in which entrepreneurs operate.

Even though BoP SEs reported lower risk-taking and proactiveness, interestingly no significant difference was found in innovation compared with the other group.

Entrepreneurs from disadvantaged communities were no less likely to view their ventures as innovative than entrepreneurs from more affluent backgrounds.

NETWORKS MATTER, BUT NOT ALL NETWORKS ARE EQUAL

Another important difference emerged around networking ability. Entrepreneurship often depends on access to relationships that provide information, opportunities, resources and support. The study found that social entrepreneurs from affluent, non-BoP environments reported stronger networking abilities than their counterparts at the Base of the Pyramid.

Yet the results also revealed an unexpected pattern. Entrepreneurs from disadvantaged communities actually reported establishing a slightly larger number of partnerships than the more affluent group.

Rather than contradicting the networking findings, this result may point towards differences in the nature of those connections. The authors suggest that the fact that BoP SEs presented a higher number of partnerships established than non-BoP SEs suggests that these collaborations may be concentrated within geographically and socially proximate networks, often involving actors who face similar structural constraints and therefore provide limited access to new markets and strategic resources.

The issue, therefore, is not necessarily the absence of networks, but the limited horizon of those networks beyond local contexts.

THE CHALLENGE OF CAPITAL AND CONTEXT

Perhaps the most substantial difference between the two groups concerned access to financial resources. The research found that BoP social entrepreneur communities were significantly less satisfied with their access to financial capital. Moreover, the initial capital used to establish their ventures was dramatically lower (37 times lower) than that of non-BoP entrepreneurs.

Financial constraints are particularly important because they influence many other aspects of entrepreneurial activity. Access to capital affects the ability to experiment, scale operations, absorb setbacks and pursue new opportunities.

The broader picture with the internal and external drivers remains clear. While entrepreneurs operating in disadvantaged contexts are equal on prosocial motivation, they face a combination of financial constraints, weaker access to influential networks, and greater environmental challenges.

ENTREPRENEURSHIP IN CONTEXT

The central contribution of this research lies in its refusal to reduce entrepreneurship to individual characteristics alone. The findings suggest that social entrepreneurs from disadvantaged communities possess many of the same motivations as their more affluent counterparts. What differs are the structural conditions surrounding them.

As such, the study encourages a more contextual understanding of entrepreneurship. Rather than asking only whether individuals possess the right mindset or motivation, it becomes equally important to examine the opportunities, resources and support systems available to them.

By doing so, the research moves beyond deficit-based portrayals of entrepreneurs at the Base of the Pyramid. It highlights their potential as agents of social change while drawing attention to the constraints that may limit the reach and impact of their efforts.

UNLOCKING SOCIAL ENTREPRENEURSHIP AT THE MARGINS

The results and final conclusions that the authors present may help guide policymakers, development agencies and civil society actors in fostering conducive entrepreneurship environments for BoP actors.

By reframing Bottom of the Pyramid Social Enterprises as legitimate agents of social change with equal prosocial motivation, this research paper provides evidence to inform inclusive public policies, place-based interventions and ecosystem-building efforts. Since the study finds that social commitment is not lacking, interventions focused solely on entrepreneurial motivation may overlook more pressing barriers.

The research highlights the need for support strategies for not only on funding level but also deeper embedded systemic environmental issues related to legitimacy, social capital, risk appetite and territorial inequality.

For policymakers, development organisations and entrepreneurial support networks, the findings draw attention to the value of creating pathways that connect local entrepreneurs to broader ecosystems and access to finance.

More broadly, the research suggests that fostering social entrepreneurship requires attention not only to individuals but also to the environments in which they operate. ///

KEY TAKEAWAYS

- Entrepreneurs at the Base of the Pyramid (BoP) are often portrayed as necessity-driven individuals operating under severe resource constraints.
- Contrary to common assumptions, BoP and non-BoP social entrepreneurs exhibited similar levels of prosocial motivation.
- However, BoP social entrepreneurs reported lower levels of risk-taking and proactiveness than their more affluent counterparts.
- Despite these differences, innovation did not significantly differ between the two groups.
- BoP social entrepreneurs also reported lower networking ability, even though they established a slightly higher number of partnerships.
- Access to financial capital emerged as a major constraint, with BoP entrepreneurs facing significantly greater financial limitations.
- Overall, the findings suggest that differences between BoP and non-BoP social entrepreneurs stem less from motivation and more from the structural conditions in which they operate.

Disclosure: These key takeaways were developed with editorial assistance from artificial intelligence based on the original article text.

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For the worker, the world is understood through isintu – an integrated system of traditions, customs, and spiritual beliefs that are inseparable from identity



Prof. **Armand Bam** and Researcher **Andrew Innes**, **Stellenbosch Business School**, and **Linda Ronnie**, **Graduate School of Business University of Cape Town**, tackle the long-standing issue of mistrust between the workforce and leadership in South Africa to reveal a deep difference in cultural realities rooted both in the colonial past and modern conceptions of western workplace behaviours.

Related research: Reframing the spaces between us: Culture, power and the labour-leadership disconnect in a post-colonial Global South society, Andrew G. Innes, Armand Bam, and Linda Ronnie, *International Journal of Cross Cultural Management*, 2026.

Imagine a boardroom in a high-rise in Johannesburg or Cape Town. The air is filtered, the coffee is sustainable, and the language of business is a crisp, globalized English. Around the table, management and leadership move with a fluency born of elite universities and international norms. But just floors below, or perhaps miles away in the manufacturing plants and townships, a different reality pulses. This one is rooted in relational ontologies, ancestral veneration, and a history of systemic exclusion.

Between these two worlds lies a chasm that no “diversity and inclusion” seminar has yet managed to bridge. This is the labour-leadership disconnect: a persistent, low-trust environment where the “windows” through which people view the world rarely overlap. In this study, Profs. and researchers Andrew Innes, Armand Bam, and Linda Ronnie argue that this

THE SILENT CHASM: THE LOW-TRUST DISCONNECT BETWEEN WORKERS AND LEADERSHIP IN SOUTH AFRICA

disconnect is not a simple misunderstanding of values, but an existential threat to the social contract, fuelled by hegemonic power structures that decide which culture is "legitimate" and which is "unintelligible".

THE PARADOX OF CULTURAL CROSSVERGENCE

For years, organizational research has tried to measure culture in South Africa using trait-based models imported from the Global North. These studies often look for "collectivism" or "power distance" and find, somewhat surprisingly, that managers of all races seem to think remarkably alike. But this "similarity" at the top is a mirage that hides a deeper "crossvergence".

While the "new bourgeoisie" who are the current leadership adopts Western behavioural schemas to align with global capitalist systems, the indigenous working class maintains cultural orientations that are fundamentally spiritual and relational. This is not just a matter of "preference".

For the worker, the world is understood through isintu – an integrated system of traditions, customs, and spiritual beliefs that are inseparable from identity – in which a worker views authority or obligation through the lens of ancestor veneration or Afro-communitarianism (ubuntu). The management views it through the lens of transactional efficiency. This is not just disagreement but a manifestation of deep differences in realities.

THE OVERDETERMINING GRAVITY OF CLASS

One of the most striking provocations of this research is the call to move beyond race as a simple proxy for culture. While race remains a visible scar of apartheid legacy, class has increasingly become the mechanism through which inequality is reproduced. The study highlights a "skewed distribution of social and cultural capital" that traps individuals in divergent pathways. This is a process of overdetermination.

Here, a person's position in the hierarchy is not decided by one factor, but by a "resonance or contradiction" of many: education, language, religion, income, and gender. If you speak English with the "correct" accent and possess Western cultural capital, you are pulled into the high-power "ingroup" where your worldviews resonate with the organization. If you do not, you are cast into the "outgroup," where your cultural frame of reference is delegitimized.

The result is a private sector where, as of 2024, only 14% of top management is Black African despite this group making up 81% of the economically active population. The power is discursive, it sets what is normal in a professional environment.



THE SPIRITUAL ELEPHANT IN THE BOARDROOM

Perhaps the most neglected aspect of the labour-leadership divide is the role of spiritual beliefs. In post-colonial societies, Western epistemologies were introduced to displace indigenous modes of thought, labelling them "primitive" or "superstitious". Today, this legacy survives as a form of "epistemic marginalization".

The data reveals a stark correlation: as income and education rise, the public identification with African Traditional Religion (ATR) falls. But this is often a result of "social desirability bias", a stigma that forces individuals to hide their actual practices to fit into Western-oriented business environments. While 85% of South Africans identify as Christian, many practice syncretic beliefs, holding ATR values in tandem with Christianity.

By ignoring these hybrid worldviews, leadership remains blind to the foundational worldviews of the majority of their workforce and of indigenous belief systems persisting beneath dominant colonial structures. As such, it creates a legitimacy gap that erodes trust.

DIVERGENT ECOCULTURAL EFFECTS

To map this complexity, the Innes, Bam and Ronnie propose the divergent ecocultural effects conceptual framework. This model visualizes the organization as a series of concentric circles where power and culture converge. At the core is the individual, overdetermined by their identity markers. As we move outward, we see how these markers lead to "divergent ecocultural pathways":

- High-status individuals experience cultural resonance; their "window" on the world is the same as the organization's.
- The ability to move between Western and indigenous schemas is a resource. While the elite can "frame-switch" to navigate power, marginalized "monocultural" groups are stuck.
- This creates an asymmetrical pressure. To access opportunity, the worker must undergo "resource-seeking ecocultural change", strategically abandoning heritage traits to adopt Western norms just to be "intelligible" to the boss.

This asymmetry is the engine of the labour-leadership disconnect. It forces the worker to adapt while the leader remains static, anchored in the comfort of a dominant Western schema.



REFLECTIONS ON SUSTAINABILITY AND THE SOCIAL CONTRACT

The implications of this disconnect are not merely academic. They are a menace to the social contract. When workers feel their cultural logic is rendered "unintelligible" or "illegitimate," trust collapses. This leads to adversarial labour relations, characterized by low cooperation and frequent industrial action.

This reality is reflected in South Africa's consistent ranking at the bottom of global labour-employer cooperation indices for over a decade. For an organization to be truly "sustainable," it must look beyond demographic representation. Placing a few individuals of colour in high-ranking roles does nothing if the underlying "Western normative and behavioural schemas" remain the only valid way of working.

True transformation requires that indigenous cultural logics, relational modes of knowing, and spiritual belief systems be granted institutional legitimacy. In the Global South, the workplace is the front line of a "war of position".

We must stop viewing culture as a static list of traits and start seeing it as a dynamic, power-embedded construct. The "spaces between us" are currently filled with the ghosts of colonial extractive institutions and historical mistrust. To bridge them, leadership must develop the "power-conscious lens" necessary to recognize that their "normal" is someone else's exclusion. ///

KEY TAKEAWAYS

- Existing cross-cultural models often find "similarities" among elites because they only sample the "ingroup" that has already adapted to Western norms, missing the massive disconnect with the broader labour force.
- In post-colonial societies, organizational culture is not neutral; it is a hegemonic system that normalizes Western schemas while marginalizing indigenous "isintu" logics.
- Success is not just about "merit"; it is overdetermined by a system of interdependent forces—language, accent, religion, and education—that channel individuals into either high- or low-power pathways.
- Spiritual beliefs are central to the worldview of the majority, yet they remain a "blind spot" in management, often hidden by workers due to socio-economic stigma.
- Socio-economic mobility requires a "resource-seeking" cultural change; marginalized groups face a high "tax" of adaptation to gain access to opportunities that the elite enjoy by default.
- Existential Threat to the Social Contract: Persistent cultural dissonance and low trust are not just HR issues; they are threats to the sustainability of the democratic state and organizational longevity.
- Representation at the top is insufficient if the underlying institutional practices do not grant legitimacy to indigenous modes of knowing and relational ethics



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THE DIGITAL COMPASS AND THE LADDER OF ENGAGEMENT: WHAT MAKES US CLICK OR SAVE?

“Our response to social information signals is a complex, hierarchical dance where the source of the signal and our own familiarity with the platform determine exactly how, and if, we engage.”



Profs. **Ayushi Tandon**, Trinity Business School, and **Swanand J. Deodhar**, IIM Ahmedabad, together with researchers **Abhas Tandon** and **Abhinav Tripathi** from **Words in Sentences**, Bangalore, dig deep into online user behaviours to discover what makes them rapidly consume content or save it for later. The findings spell practical innovations for platform designers.

Related research: Deodhar, S. J., Tandon, A., Tandon, A., & Tripathi, A. (2023). Effects of social information signals on user engagement: evidence from randomized field experiments. *Behaviour & Information Technology*, 42(12), 1877–1898. <https://doi.org/10.1080/0144929X.2022.2101024>

In the vast, sprawling wilderness of our digital platforms, we are all, in a sense, lost. Every time we open a mobile app, navigate an e-learning portal, or scroll through a streaming service, we are confronted with a “wicked problem” of choice: what is worth our time?

With thousands of videos, articles, and words vying for our attention, the human brain faces a staggering cognitive load. To survive this information saturation, we look for beacons. We look for the “commonly viewed,” the “frequently liked,” or the “expert recommended”.

These are not just labels; they are social information signals, the digital compasses that guide us to click, save, or skip. But do these signals influence every action equally? Does a “Peer”

– another user – recommendation carry the same weight as an "Expert" one when we move from mere browsing to active organizing?

An empirical study by Prof. Ayushi Tandon of Trinity Business School, and her fellow researchers Swanand J. Deodhar (Indian Institute of Management, Ahmedabad, India) Abhas Tandon and Abhinav Tripathi (Industry experts, game developers), reveals that our response to these signals is far from uniform. It is a complex, hierarchical dance where the source of the signal and our own familiarity with the platform determine exactly how, and if, we engage.

CLIMBING THE ENGAGEMENT LADDER

For years, the world of Information Systems (IS) research has been obsessed with a single peak: Content Generation (CG). Researchers have studied why people write reviews, post photos, or moderate discussions. But as they point out, the majority of our digital life happens on the lower rungs of what they call the "ladder of engagement".

This study shifts our focus to two critical, yet understudied, behaviours:

- 1. Content Consumption (CC): The "baseline" act of engagement, such as clicking to watch a video or, in the context of the researchers' mobile e-learning experiment, clicking a word to see its usage in a sentence.
- 2. Content Organisation (CO): A higher-order, more complex action where a user "curates" their experience, such as adding a video to a "watch later" list or a word to a personalised vocabulary list.

Understanding the distinction between these two is vital. While CC is often a fleeting, low-cost action, CO represents a deeper investment of time and a reflection of personal preferences. The researchers set out to discover if the "social signals" that drive us to consume are powerful enough to drive us to organise what we want to watch.

THE PEER VS. THE EXPERT

To test the power of these digital beacons, the team deployed a series of randomised field experiments on a mobile app called "Words in Sentences" (WiS). They split users into two distinct camps: those receiving signals from Peers (other users) and those receiving signals from Experts.

The "Peer" signal was a simple label: "Commonly viewed by others". The "Expert" signal was equally direct: "Expert Recommended". The question was simple: would these labels make a user more likely to click a word (Consumption) or add it to their personal list (Organisation)?

The results were a striking study in asymmetry. The researchers found that both Peer and Expert signals acted as powerful catalysts for Content Consumption. The Peer signal

was particularly potent, increasing the probability of a user clicking a word by approximately 29 percentage points. The Expert signal also provided a significant, though slightly more modest, boost of over 14%.

Why does this happen? In an information-rich environment, we suffer from "bounded rationality". We don't have the time to evaluate every option deeply. Instead, we use "decision heuristics" – mental shortcuts – that allow us to mimic the "correct" course of action based on what others have done. These signals reduce our cognitive burden, acting as an instrumental cue that guides us through the fog of choice.

THE SILENCE OF THE SIGNAL

However, when it came to Content Organisation, the digital compass suddenly stopped spinning. Neither the Peer signal nor the Expert signal had any significant effect on whether a user added a word to their personal list.

This "curious asymmetry" suggests that CO is qualitatively different from CC. While consumption might be driven by social mimicry, organisation is an inward-facing act. When you create a personalised list, you are not looking for social proof – you are seeking personal value, identity expression, and long-term utility. You don't save a video to your "favourites" just because an expert liked it; you save it because it resonates with your specific needs.

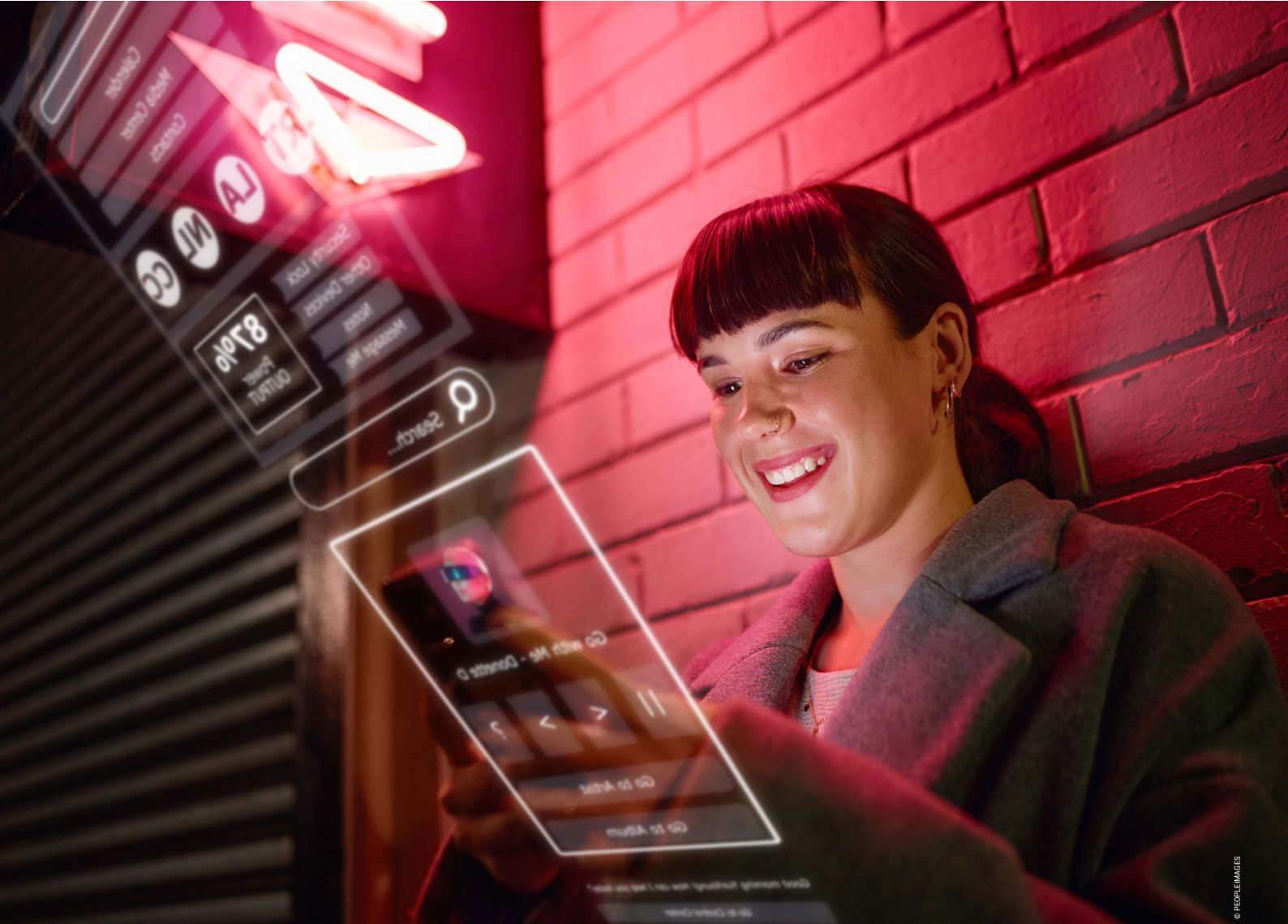
To test further, the researchers even tried a "double-barrelled" approach, showing users both Peer and Expert signals simultaneously, thinking that perhaps a plurality of signals would provide the necessary push for organisation. It didn't work. The effect on consumption remained positive, but the organisation actions stayed stubbornly unresponsive to general social signals.

Does this mean social signals are useless for organisation? Not quite. In a follow-up experiment, the researchers uncovered the "missing link": Signal Parity. They changed the Peer signal from "Frequently viewed by others" (a CC-based signal) to "Frequently added by others" (a CO-based signal). The results were transformative.

When the signal finally matched the desired action, the probability of the user adding the word to their list nearly doubled. This finding reveals a fundamental truth about digital influence: for "higher-order" engagement actions, the signal must be specific. We don't just want to know what others are looking at – we want to know what they are valuing enough to keep. This reinforces the concept of a "hierarchy" of engagement where the further up the ladder you go, the more selective and specific the social influence must be.

WHEN FAMILIARITY BREEDS INDEPENDENCE

There is one more crucial variable in this digital symphony: Time. The researchers discovered a clear "decay" in the effectiveness of social signals as users spent more time with



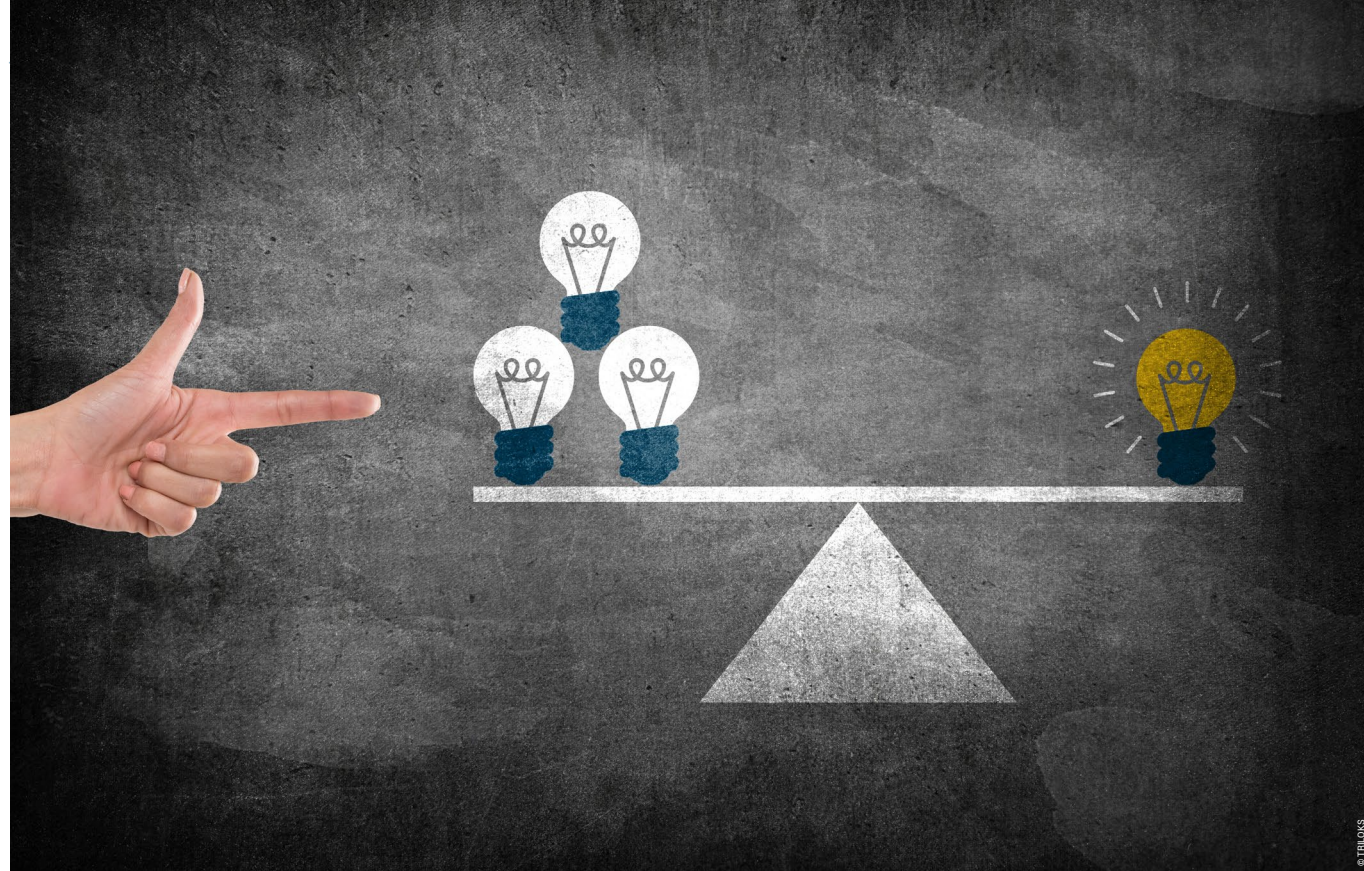
the content – a concept they call Content Exposure. As we scroll through more content and become familiar with an app, we experience "reduced uncertainty". We start to understand the quality of the content for ourselves, and as our personal perception sharpens, our reliance on external heuristics fades.

The signal that was once a vital compass bearing for a newcomer becomes mere "background noise" for a veteran. Our engagement actions become more "inward" and less reliant on the digital crowd. Interestingly, they also found that "stronger" signals (like knowing what others have organised) can actually resist this decay, keeping the user engaged for longer. But the general rule remains: the social signal is a tool for the uninitiated, and its power is a function of our own ignorance.

REFLECTIONS FOR THE FUTURE OF DESIGN

The implications of this research for app designers, marketers, and e-learning platforms are profound and practical. In an era where mobile screen space is a precious, limited resource, every pixel must earn its keep. Here are some takeaways:

- 1. Chirurgical Interface Design: Designers should not saturate their interfaces with social signals for every feature. If the goal is to drive discovery and consumption (CC), social signals are the "king" of the user interface. However, if the goal is to encourage deep curation (CO), general "view counts" are a waste of space. You must show users what their peers are curating, not just what they are seeing.
- 2. Dynamic Disclosure: Since the power of the signal decays as the user becomes familiar with the app, information structures should not be static. Apps could benefit from "dynamic social information," where social cues are prominent at the start of a session or for new users, then gracefully fade away as the user becomes more self-assured, freeing up space for more personalised tools.
- 3. Data-Driven Requirement Engineering: Developers should use usage logs to identify the specific asymmetries in their own apps. By understanding which signals drive which behaviours, they can move toward "data-driven" design that respects the hierarchy of user engagement.



CIVILIZING THE DIGITAL CHOICE

Ultimately, the work of Prof. Tandon, Swanand J. Deodhar, and co-authors teaches us that social information is not a "magic bullet" that boosts engagement across the board. It is a delicate, context-dependent heuristic. It is most effective when we are uncertain, when the signal matches the action, and when we are at the earliest stages of our digital journey.

By recognising the ladder of engagement, and the different fuels required to climb its rungs, we can build digital environments that don't just "nudge" us to click, but respect the personal, curatorial nature of our deeper digital lives. The social compass is a powerful tool, but its true value lies in knowing when the user is ready to put it down and walk their own path. ///

Suggested Additional Reading
<https://sloanreview.mit.edu/article/turning-content-viewers-into-subscribers/>
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KEY TAKEAWAYS

- Engagement is a Hierarchy: Digital interaction is a "ladder," moving from low-cost Content Consumption (CC) to higher-order Content Organisation (CO) and Content Generation.
- The Power of Mimicry: Social signals from both Peers and Experts significantly boost consumption by reducing uncertainty and cognitive load.
- The Organisation Dead-Zone: Standard social signals (like view counts) fail to influence how users organise or curate content, as these actions are driven by private value and personal identity.
- Action-Signal Parity: To influence higher-order actions like organisation, the signal must match the action, showing that others "added to list" is far more effective than showing they "viewed".
- The Familiarity Decay: The influence of social signals erodes as users spend more time with content; once uncertainty decreases, users rely more on internal preferences than external cues.
- Strategic Interface Design: App designers must be selective; social signals should be used to foster discovery (CC) but are often unnecessary for curation tools (CO), saving valuable screen space.
- Dynamic Information Flow: Platforms should consider "dynamic disclosure," making social signals prominent for new users or at the start of sessions when they are most needed as decision heuristics.

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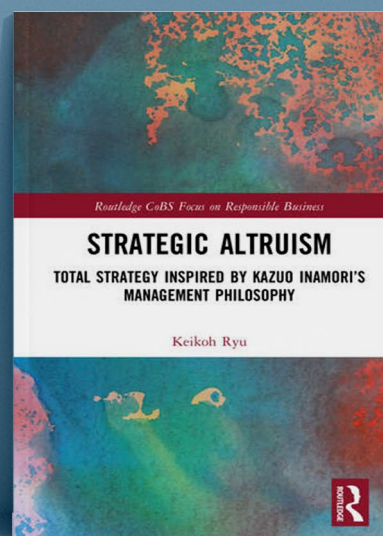
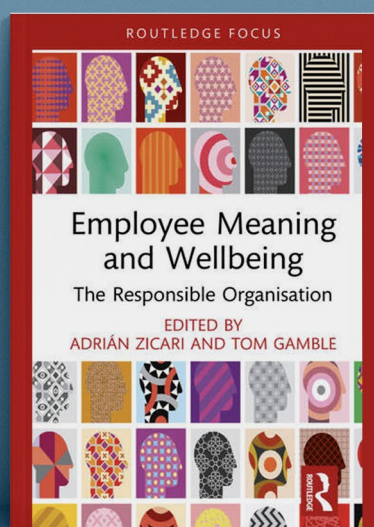
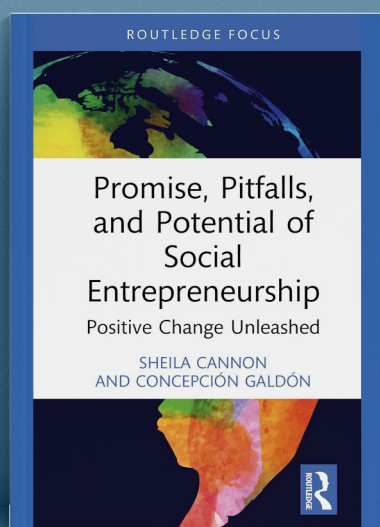
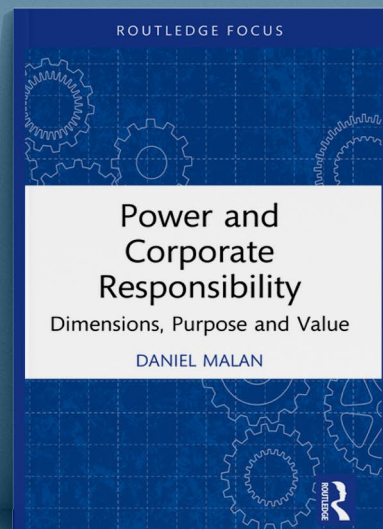
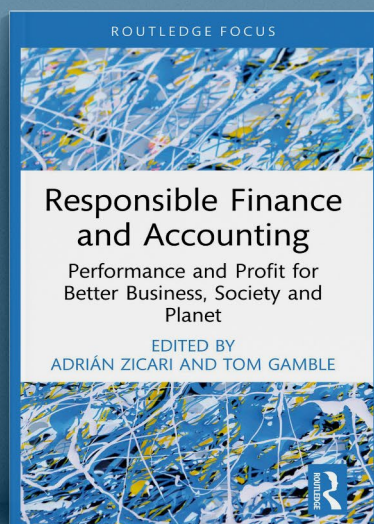
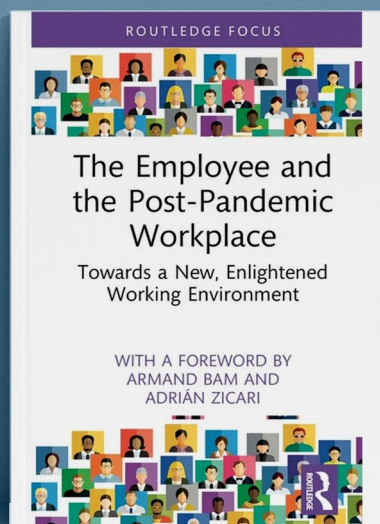


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