Challenges and Solutions in Business Sustainability

MHR/ENVIR ST 310

Spring 2017
Tuesdays & Thursdays 1:00 PM – 2:15 PM
2180 Grainger Hall
http://courses.bus.wisc.edu

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Office hours: by appointment
Learning Outcomes

In this class students will acquire fundamental knowledge of (i) the causes of sustainability challenges as relating to business, and respective policy and business responses, and (ii) frameworks and measurement systems for incorporating sustainability concerns into business analysis and decision-making.

Students will further acquire the skills to (i) analyze the causes of and responses to sustainability problems, as well as develop and implement solutions to these problems as managers and policymakers, and (ii) identify and apply frameworks for effectively incorporating sustainability considerations into the analysis and decision-making of managers and policymakers.

Course Content & Structure

The course is structured around these learning outcomes. It contains three interrelating modules. The first module is focused on understanding the systems and system dynamics in which businesses (and society more generally) are embedded. We will analyze how limits to markets (“market failures”) and managerial decision making (biases and cognitive limitations) can result in sustainability challenges. We also will develop the knowledge and skills to analyze a variety of solutions to these “system failures”, including novel financing mechanisms to overcome market failures in energy efficiency and privatization systems to manage common pool resources (e.g., quota systems in carbon markets and fisheries management, or outright privatization of endangered wildlife). A particular focus in this module will be systems dynamics, and how the study of system dynamics can help us design better policy and business solutions.

The second module dives into measurement and reporting issues. The notion of managing or improving business sustainability in general, or firm environmental performance specifically, assumes that we actually know what constitutes environmentally sustainable performance, and how it can be measured. We thus will study approaches to account for, report, and assure firm sustainable (environmental) performance. A particular focus in this module will be carbon accounting.

The third module is concerned with sustainability frameworks and tools, and their application to decision challenges in different organizational domains. How a challenge is framed determines the path we pursue to address the challenge. Accordingly, this module provides knowledge and skills in identifying and applying sustainability frameworks such as industrial symbiosis, cradle-to-crade, and sustainable value networks to decision problems in areas such as supply chain management, operations management, product design, and Sustainable, Responsible, and Impact (SRI) investing.
Course Material

All course materials other than cases are posted online on the course webpage or distributed in class. The course webpage is accessible via http://courses.bus.wisc.edu. It is each student’s responsibility to download all class materials from the class webpage.

Cases are held electronically at Harvard Business School. A link to access the cases is posted below and will also be provided via email and on the class webpage. You will be asked to create an account and purchase the case package. It is the responsibility of each student to purchase and download the case package. You will also have the option to purchase (for an additional charge) a hardcopy version of the case package. This is optional; if you want hardcopies you may also print the materials yourself.

http://cb.hbsp.harvard.edu/cbmp/access/57758753

Performance Measures & Assignments

Performance Components

Class Participation (Individual) 25%
Analysis Brief (Team) 20%
Case Briefs (x7) (Individual) 10%
Firm Environmental Performance Assessment (Team) 20%
Position Statement (Team) 20%
Competency Analysis (Individual) 5%

Class Participation (25%)  

The overall success of this class heavily relies on class discussions. In fact, you can think of this class as a “seminar disguised as lecture”: you will need to perform your own research for a variety of assignments, and you are expected to participate regularly in class discussions.

Quality class participation is rewarded — it accounts for 25% of the final grade. Quality class participation consists of comments that show evidence of class preparation, add to our understanding of the situation, clarify or develop further earlier comments, and test new ideas rather than present a simple repetition of facts without analysis or conclusions.

Class preparation is as much a prerequisite for participation in class discussions as class attendance. Regular class attendance is expected. I am happy to discuss your participation at any point during the semester.

Analysis Brief (20%)  

Each student will prepare and submit an Analysis Brief (worth 20%) on a given topic. Each brief is prepared by a team of four students (exact group sizes will depend on the ultimate class size).
Each topic is analyzed by two teams. For a session in which an analysis brief is scheduled, both teams will present their analysis.

The structure of these Analysis Briefs varies across topics, though three of the topics (Regulating the Commons, Carbon Markets, and Eco Labels and Certification Schemes) will follow the same format. In particular, this format asks students to identify the key success factors (KSF) for the solution to a given challenge. For a specific challenge/topic, each group researches, analyzes, and contrasts two to three case studies (as chosen by the students) with the goal to identify the key success factors for the solution to the challenge under study. For example, for the “Regulating the Commons” brief, each group will select two to three cases on how decision makers have sought to address overfishing. Through the study of these examples (and relevant background readings), you are expected to identify the attributes on which the solutions/challenges for the cases differ, evaluate the solutions’ overall success, and, from that, derive the key success factors for, in this case, successful fisheries management. To do so, it often is helpful to contrast a successful case with an unsuccessful one. Both the class presentation and the write-up should also include a (very) brief introduction to each of the case studies. The presentation and write-up should however not simply repeat the information and concepts from the background readings. These readings are required for all students; you thus can assume that all students know what is presented in the readings, and rather than repeating this information, instead focus on applying this information/knowledge to the analysis of your cases.

The format for the other three Analysis Briefs (System Dynamics, Sustainability & Varieties of Capitalism, and Sustainability Accounting & Reporting) is more unique to each topic. For example, for the Analysis Brief on System Dynamic, teams will be asked to choose a sustainability challenge that interests them, represent that challenge in a system of feedback loops, and then identify and discuss the appropriate leverage point(s) to address the challenge. For the Analysis Brief on Sustainability & Varieties of Capitalism, teams are asked to compare the ways firms in different capitalistic systems (e.g., United States versus certain European countries) approach a particular sustainability challenge (as selected by the teams), and trace differences in these approaches back to particular features in the firms’ respective capitalistic systems. Lastly, the Analysis Brief on Sustainability Accounting & Reporting somewhat follows the “key success factor” structure mentioned above, but one team will be asked to apply this format to the analysis of different sustainability accounting frameworks, whereas the other team will be asked to apply it to the analysis of different firm sustainability reports.

At the beginning of the semester, students will sign up for one of the topics listed further below. Sign-up will be on a first come, first serve basis. Your topic choice might be guided by both your interest in a given topic as well as attempts to smooth out the timing of assignments across your class portfolio (check due dates!).

As the due date of each Analysis Brief approaches, we will discuss further details in class. You are expected to hand in a written analysis. This write-up does not need to follow a specific format but you should keep it brief and concise (~ 3-5 pages). For the in-class presentation, you may prepare a PowerPoint presentation, but this is not required. You can also use the
black/whiteboard, handouts, etc. for presenting your analysis and leading the discussion. Each group’s discussion/presentation should take about 15 minutes.

Please bring a hard copy of your written analysis to class, and also upload an electronic version of the analysis (as well as the presentation, if used) to the class webpage.

- Analysis Brief 1 (due 1/31): Regulating the Commons (here: Fisheries)
- Analysis Brief 2 (due 2/16): Carbon Markets
- Analysis Brief 3 (due 3/7): System Dynamics
- Analysis Brief 4 (due 3/9): Sustainability & Varieties of Capitalism
- Analysis Brief 5 (due 3/28): Sustainability Accounting & Reporting
- Analysis Brief 6 (due 4/11): Eco Labels and Certification Schemes

Case Briefs (total of 10%)

Case Briefs are short, written answers (approx. one page) to a set of preparation questions posed for each case that we analyze in class. We will study a total of seven cases. Your answers do not need to be very extensive or even well written. The case briefs simply serve as evidence that you have prepared the case — i.e., that you have read the case and thought about it in some detail.

Grading of the case briefs is coarse: a “0” if you do not hand in the brief; a “+” if you hand it in and your answers suggest that you have read the case but didn’t get a chance to think about it too deeply; and “++” if your answers reveal that you have thought about the case in more depth.

You can bring a hard copy of your case brief to the class session in which we discuss the case and/or upload an electronic version to the class webpage prior to the class session.

Firm Environmental Performance Assessment (20%)

For this assignment you are asked to evaluate and rank order the environmental performance of several firms (a list of firms will be provided in class). You will need to choose at least four different data sources upon which you base your evaluation, and, accordingly, at least four different criteria that you then combine for your overall assessment. (If you derive more than one criterion from a given data source, you may also use just three different data sources). Describe the data sources that you choose, explain which criteria you derive from each, and how you apply and combine them to arrive at your evaluations and ranking. Discuss and justify your choices! (Why did you choose the data sources and criteria you did, what are the advantages and disadvantages of using them, which procedure did you use for combining the criteria, why, what are (dis)advantages, etc.).

Possible databases and criteria include (but most certainly are not limited to!) the CSR Hub (https://www.csrhub.com/), EPA’s TRI database which provides (among other things) information on toxic release emissions, EPA’s echo database (environmental enforcement and compliance history), Newsweek’s environmental performance rankings, CDP (formerly (Carbon Disclosure Project) database at https://www.cdp.net/en) (carbon emissions), firms’ CSR reports, a firm’s in/exclusion in various SRI indices (such as Down Jones Sustainability Index, FSX60
carbon Efficiency Index, etc). You may also want to check out EPA’s Envirofact at http://www.epa.gov/enviro/. You are strongly encouraged to research data sources and apply criteria that are not listed here – these are just some initial ideas to get you going. Your creativity and research effort to dig deeper and find additional sources (or use the above sources and criteria in innovative ways) will be rewarded.

This assignment is to be completed in groups of four students (depending on class size). Use a PowerPoint presentation to describe your analysis and findings. This presentation will serve as the basis for evaluation (i.e., you do not have to hand in anything else). The evaluation focuses on the appropriateness, thoroughness, coherence, and creativity of your analysis. I will select three to four groups to present their findings in class on April 4th.

You need to upload this presentation (as well as supporting data such as an excel spreadsheet containing your data, if any) to the class webpage by Monday, April 3rd at 8:00 PM.

**Position Statement (20%)**

Should UW divest from fossil fuels? The non-profit organization 350.org has been leading a prominent campaign asking universities (and other institutions) to divest from fossil fuel. In particular, they are asking the following (see http://gofossilfree.org/faq/):

“We want institutional leaders to immediately freeze any new investment in fossil fuel companies, and divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.

200 publicly-traded companies hold the vast majority of the world’s proven coal, oil and gas reserves. Those are the companies we’re asking our institutions to divest from. Our demands to these companies are simple, because they reflect the stark truth of climate science:

- They need immediately to stop exploring for new hydrocarbons.
- They need to stop lobbying in Washington and state capitols across the country to preserve their special breaks.
- Most importantly, they need to pledge to keep 80% of their current reserves underground forever.”

For this assignment, you will play the role of a consultant to UW. You are asked to prepare a position paper that details whether or not UW should meet 350.org’s demand and divest from fossil fuel. What speaks for this proposition, and what speaks against it? As you will note, this is a highly complex question that deserves a nuanced response. You are expected to provide such a nuanced response; further, regardless of your ultimate recommendation, you are expected to explain why, after a careful discussion of all the arguments that speak for, and against the matter, you have come down on your side.

This assignment is to be completed in groups of two to four students (depending on class size). Your position paper will be evaluated based upon its completeness (did you touch upon all relevant arguments?), nuance (did you shed detailed light on the various pros and cons?),
correctness (are you arguments conceptually and factually correct?), persuasiveness, and coherence.

Bring a hard copy of the assignment to class on Thursday, April 20th (it might help you articulate your thoughts for our class debate) and also upload an electronic version of your position statement to the class webpage before class that day.

**Competency Assessment (5%)**

This assignment serves for you to review and reflect upon what you have learned in class, and for the instructor to see whether learning outcomes have been met. For each topic (not necessarily each class because we sometimes use multiple classes to cover one topic), you are expected to write one paragraph detailing the most important knowledge and/or competencies (skills) that you have taken away. The insights and/or skills can be derived from any part of the class — the readings, case, homework assignment, presentations, class room discussion, etc.

This assignment is to be completed individually. Similar to the case briefs, it will be graded in a coarse manner: a “0” if you do not hand in the competency analysis; a “+” if you hand it in but your answers are incomplete in that they address only a fraction of the topics that we have discussed, or in that they merely describe each topic; and “++” if your analysis is complete and reveals that you have actually reflected on the content that we have covered. **Note: you will not be graded on the “level” or “quality” of the insights and skills that you developed.**

Please upload your analysis to the class webpage before class on Thursday, May 4th.

**Method for Determining Final Grades**

The procedure for establishing final grades in this class uses elements of both absolute and relative grading methods. In a first step, for each student and each performance component, the student's raw score is converted into a normalized score. Second, this normalized score is weighted with the assignment's weight, and, third, these weighted scores are summed across performance components to create a final, normalized score for each student. These final scores are then rank-ordered across students. There will be no pre-determined or rigid designation of percentile intervals to final letter grades. Instead, grade cutoffs are assigned to naturally occurring gaps in this rank-order, with the top cohort of closely ranked students receiving an A, the next cohort of tightly ranked students receiving an AB, and so on. Possible grades range from A to F. Actual grades from previous classes have typically ranged from A to B (and, more uncommonly, A to C), with a mean around an AB. However, it is important to stress that these previous distributions do not constitute targets. Ultimately, final grades are assigned with the goal to best reflect the performance of each student.

We will discuss further details about this grading procedure at the beginning of the semester, as well as throughout the term as actual assignment scores allow for further demonstration of this procedure. Furthermore, I am happy to provide additional feedback on both your absolute and relative class performance at any point during the semester.
Other Administrative Matters

Feedback

I am happy to discuss the course, your progress, or any other issues related to this course on an individual basis. See me after/before class or email to set up an appointment to meet in my office. Please do not wait until the end of the semester to see me regarding problems with the course material or your performance. Your success in this class is important to me. Please come by to discuss potential problems early in the semester.

No Laptop, and No Cell Phone Policy

Laptop, and especially cell phone use during class time is distracting and can be disrespectful to the instructor and your fellow students. It therefore is prohibited. Please discuss with me a possible exemption from this policy if you require a laptop for note taking purposes.

Adjustments in Syllabus

This syllabus provides a guideline for what to expect in this class. As we go through the semester, minor adjustments to the syllabus may be undertaken to accommodate unforeseen events (such as unexpectedly lengthy class discussions, current events that are worthy a discussion, etc.). These adjustments might affect homework assignments (mostly in terms of timing). I will announce any adjustments in class and on the course webpage. It is your responsibility to stay informed about these changes.

Academic Integrity

All University policies regarding scholastic dishonesty and absence as outlined in the current University regulations will be enforced. Please visit the following link for details on the rules and regulations related to academic misconduct: http://students.wisc.edu/saja/misconduct/UWS14.html Your work and conduct will be held accountable under this policy and academic dishonesty will be prosecuted pursuant this policy. Academic misconduct includes acts in which a student:

- seeks to claim credit for the work or efforts of another without authorization or citation
- uses unauthorized materials or fabricated data in any academic exercise
- forges or falsifies academic documents or records
- intentionally impedes or damages the academic work of others
- engages in conduct aimed at making false representation of a student's academic performance
- assists other students in any of these acts.

Examples include but are not limited to: cutting and pasting text from the Web without quotation marks or proper citation; paraphrasing from the Web without crediting the source; using notes or a programmable calculator in an exam when such use is not allowed; using another person's ideas, words, or research and presenting it as one's own by not properly crediting the originator; stealing examinations or course materials; altering a transcript; signing another person's name to an attendance sheet; collaboration that is contrary to the stated rules of the course or assignment.
## Calendar Overview – MHR 310

<table>
<thead>
<tr>
<th>#</th>
<th>Date</th>
<th>Due</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Jan 17 (T)</td>
<td></td>
<td>Introductions &amp; Administrative Details</td>
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<td>2</td>
<td>Jan 19 (R)</td>
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<td>Fishbanks Simulation Game -- <strong>meet in room 2294</strong></td>
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<td>3</td>
<td>Jan 24 (T)</td>
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<td>Fishbanks Simulation Game – Debrief</td>
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<td>4</td>
<td>Jan 26 (R)</td>
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<td>Market Failures &amp; Policy Responses</td>
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<td>5</td>
<td>Jan 31 (T)</td>
<td>Analysis Brief 1 (select)</td>
<td>Regulating the Commons (Fisheries)</td>
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<td>6</td>
<td>Feb 2 (R)</td>
<td>Case Brief 1 (all)</td>
<td>Privatization as a Conservation Tool – <strong>Black Rhino case</strong></td>
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<td>7</td>
<td>Feb 7 (T)</td>
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<td>Market Failures in the Market for Energy Efficiency</td>
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<td>8</td>
<td>Feb 9 (R)</td>
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<td><strong>Speaker</strong>: Financing Energy Efficiency</td>
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<td>9</td>
<td>Feb 14 (T)</td>
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<td>Markets for Carbon Trading</td>
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<td>10</td>
<td>Feb 16 (R)</td>
<td>Analysis Brief 2 (select)</td>
<td>Markets for Carbon Trading – cont’</td>
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<td>11</td>
<td>Feb 17 (F)</td>
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<td><strong>World Climate Simulation - meet in room 2294</strong></td>
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<td>12</td>
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<td><strong>Mar 14, 16</strong>: No class meetings</td>
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<td>13</td>
<td>Feb 21 (T)</td>
<td>Case Brief 2 (all)</td>
<td>Market Effects of Regulating CFCs – <strong>Du Pont Freon case</strong></td>
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<td>14</td>
<td>Feb 23 (R)</td>
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<td>Decision Making Failures</td>
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<td>15</td>
<td>Feb 28 (T)</td>
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<td>System Dynamics I</td>
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<td>16</td>
<td>Mar 2 (R)</td>
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<td>System Dynamics II</td>
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<td>17</td>
<td>Mar 7 (T)</td>
<td>Analysis Brief 3 (select)</td>
<td>System Dynamics III</td>
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<td>18</td>
<td>Mar 9 (R)</td>
<td>Analysis Brief 4 (select)</td>
<td>Sustainability &amp; Varieties of Capitalism</td>
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<td>19</td>
<td>Mar 28 (T)</td>
<td>Analysis Brief 5 (select)</td>
<td>Sustainability Accounting &amp; Reporting</td>
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<td>20</td>
<td>Mar 30 (R)</td>
<td>Case Brief 3 (all)</td>
<td>Carbon Accounting – <strong>Frito Lay case</strong></td>
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<td>21</td>
<td>Apr 4 (T)</td>
<td>Env. Perf. Assign. (all)*</td>
<td>Assessing Firm Environmental Performance</td>
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<td>Date</td>
<td>Lecture Type</td>
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<td>22 Apr</td>
<td>(R)</td>
<td>Assessing Firm</td>
<td>Environmental Performance – cont’</td>
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<td>23 Apr</td>
<td>(T)</td>
<td>Analysis Brief 6</td>
<td>select Eco Labels and Certification Schemes</td>
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<td><strong>Frameworks for Business Sustainability &amp; Application in Business Functions</strong></td>
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<td>24 Apr</td>
<td>(R)</td>
<td>Sustainability</td>
<td>Frameworks — Overview</td>
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<td>25 Apr</td>
<td>(T)</td>
<td>Case Brief 4</td>
<td>(all) Cradle-to-Cradle Design in Action – <em>Herman Miller case</em></td>
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<td>26 Apr</td>
<td>(R)</td>
<td>Case Brief 5</td>
<td>(all) Sustainable Value Networks in Action– <em>Walmart case</em></td>
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<tr>
<td>27 Apr</td>
<td>(T)</td>
<td>Position Statement</td>
<td>Socially Responsible Investing – Divestment debate</td>
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<tr>
<td>28 Apr</td>
<td>(R)</td>
<td>Case Brief 6</td>
<td>(all) Industrial Symbiosis in Action – <em>Cook Composites case</em></td>
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<tr>
<td>29 May</td>
<td>(T)</td>
<td>Case Brief 7</td>
<td>(all) Env. Differentiation Strategy – <em>Star-Kist &amp; Patagonia cases</em></td>
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<tr>
<td>30 May</td>
<td>(R)</td>
<td>Comp. Assessment</td>
<td>(all) Wrap-up</td>
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*The due date for this assignment is April 3rd at 8:00 PM.*
Class 1 (Tuesday, January 17)

Topic: Class Overview, Administrative Details, Introductions

Content: We will discuss the course outline, assignments, expectations, class organization etc. We will also form groups to play a simulation in Class 2.

Reading¹:
- Course Syllabus

Class 2 (Thursday, January 19) – meet in 2294 (computer classroom)

Topic: The Tragedy of the Commons: Fishbanks Simulation Game

Content: Note the room change for this class – we will meet in 2294. We will play a simulation game that will teach us about the Tragedy of the Commons, the dynamics of using renewable resources, and the challenges of designing and enforcing policies for sustainable resource management. The game is an interactive, web-based simulation that is made available by the MIT Sloan School of Management.

Readings:
- Introduction to Fishbanks

Simulation Preparation:
- Watch simulation instruction at:
  https://mitsloan.mit.edu/LearningEdge/simulations/fishbanks/Pages/Video.aspx

Class 3 (Tuesday, January 24)

Topic: Debrief Fishbanks Simulation

Content: We will debrief last simulation from last class, identify the underlying dynamics that cause the outcomes we observed, and discuss leverage points for influencing these dynamics.

Readings:

¹ Unless noted otherwise, all readings (with the exception of cases and technical background notes as indicated) are available for viewing and downloading on the course webpage.
Class 4 (Thursday, January 26)

Topic: Market Failures & Policy Responses

Content: We will study different market “failures” (or limits to markets), their effects on sustainability related market outcomes, and respective policy responses such as pollution taxes and cap and trade systems.

Readings:


Class 5 (Tuesday, January 31)

Topic: Regulating the Commons (Fisheries)

Content: As we have learned in the previous sessions, fisheries are one example of a common resource. In today’s session, we will use the students’ analysis briefs to explore different approaches to regulating this common resource, and to learn about the approaches’ various benefits & limitations. Time permitting, we will also discuss the potential and risks of aquaculture to help alleviate overfishing.

Readings:

- Fishery Management (introductory overview of fishery management tools) http://web.mit.edu/12.000/www/m2011/finalwebsite/solutions/fmanagement.shtml

Optional (there are many articles on managing fisheries in The Economist; listed below are some other pieces from a variety of sources that give you a flavor of the discussion)


Due for select students: Analysis Brief - Regulating the Commons
**Class 6 (Thursday, February 2)**

**Topic:** Privatization as a Conservation Tool

**Content:** We will discuss the Black Rhino case. This case describes the attempt to prevent extinction of the African black rhino through creating privately owned, for-profit game farms for breeding and hunting rhinos.

**Readings:**
- The Black Rhino (in case package)

**Due for all:** Case Brief - The Black Rhino. Submit a one page summary of your answers to the following two case questions. Make sure that you separate your discussion on the pro/cons of private game ranches for hunting from the discussion on the pro/cons of legalizing horn trade.

  - What speaks for and what against privatizing wildlife such as the black rhino for trophy hunting? What consequences that might be unintended or unwanted from an environmental and/or ethical perspective can you foresee as a result of privatizing black rhinos for trophy hunting?
  - Would legalizing the international sale and trade of rhino horns help conserve the black rhino? Why/why not?

**Class 7 (Tuesday, February 7)**

**Topic:** Market Failures in the Market for Energy Efficiency

**Content:** Increasing energy efficiency is, by many accounts, the cheapest and cleanest form of energy “production”. Yet the energy efficiency paradox —the notion that there are many opportunities for cost effective energy efficiency that aren’t exploited – is an important hurdle to increasing energy efficiency. We will discuss why, and how, the market for energy efficiency can fail, and learn about cutting edge solutions with which different players are seeking to address these failures.

**Readings:**
Class 8 (Thursday, February 9)

Topic: Speaker – Financing Energy Efficiency

Content: Innovative ways to finance energy efficiency in the built environment are one way to address market failures in energy efficiency. Beau Engman, founder of Pace Equity, will share his experiences as a leader in creating new financing solutions, with a particular focus on the PACE mechanism.

Readings:

- Familiarize yourself with the PACE concept at http://energy.gov/eere/slsc/property-assessed-clean-energy-programs
- Familiarize yourself with PACE Equity at http://pace-equity.com/

Optional: (this reading provides further, more specialized information targeted towards real estate finance professionals)

- PACE financing. Johnson Jr., R. The Letter – Americas (July/August 2015)

Class 9 (Tuesday, February 14)

Topic: Markets for Carbon Trading

Content: A number of scholars and practitioners view carbon markets as a cost-effective, incentive-compatible mechanism to limit CO2 emissions. Others disagree. We will spend this week studying these markets – their history, their various institutional structures, and their respective benefits and limitations.

Readings:


Class 10 (Thursday, February 16)

Topic: Markets for Carbon Trading – cont’

Content: Using the students’ Analysis Briefs, we will debate the case for and against carbon trading.
Readings:

- The Brave New World of Carbon Trading. Spash, C. 2010. *New Political Economy* 15(2): 169-195 (Some of this article reviews what we have discussed in the previous session. It is not an easy read…. but an insightful one that is well worth it!)

**Optional:** For students seeking information on actual carbon markets and their setups, below is a link to comparative case studies on different carbon markets


**Due for select students:** Analysis Brief - Carbon Markets

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**Class 11 & 12 (FRIDAY, February 17) -- 4:00 - 6:30 meet in 2294 (computer classroom)**

**Topic:** World Climate Simulation

**Content:** The World Climate Simulation is a role playing exercise of the UN climate change negotiations for groups. It is unique in that it uses an interactive computer model to rapidly analyze the results of the mock-negotiations during the event. We will use this simulation to build climate change awareness and enable us to experience (and appreciate) some of the dynamics and complexities that emerge in the UN climate negotiations.

**Readings:** Handouts/Instructions for simulation as provided in previous session

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**Class 13 (Tuesday, February 21)**

**Topic:** Market Effects of Regulating CFCs

**Content:** We will use the Du Pont Freon Case to look back in history and analyze the effects that phasing out CFSs (per the 1999 Montreal Protocol) had on market structures and firm opportunities. This case will wrap up our discussions on regulation.

**Readings:**

- Du Pont Freon Products Division (*in case package*)

**Due for all:** Case Brief - Du Pont Freon Products Division. Submit a one page summary of your answers to the following case questions:
• What are the likely effects of the Montreal Protocol on the market structure of chlorofluorocarbons? Will they make the market more or less attractive, and why?
• What would you recommend that Du Pont/Joe Glas do, and why?

Class 14 (Thursday, February 23)

Topic: Decision Making Failures

Content: In this session we will change our prior focus on “market failures” to the study of the limits of human decision making - “decision making failures”. There are a number of biases and cognitive limitations that make it difficult for us to find appropriate solutions to issues that are complex or underpinned by (non-linear) dynamics (as is the case with almost all sustainability related issues!).

Readings:


Homework (does not need to be submitted): Prepare a list/summary of what you see as the most important biases and cognitive limitations that limit our understanding of sustainability challenges. Link each bias/limitation to a particular sustainability related example (some examples are provided in the texts but you can and should also think of your own examples).

Class 15 (Tuesday, February 28)

Topic: System Dynamics & Systems Thinking

Content: The next three sessions we will study system dynamics and systems thinking. We will learn at how to represent and interpret systems (e.g., stocks, flows, feedback loops), apply systems representations to specific examples, and identify leverage points for influencing systems.

Readings:

• Learning from Evidence in a Complex World. Sterman, J.D. 2006 *American Journal of Public Health* (96): 505-514. (Sterman uses the public health context for this article. Like sustainability, public health is a complex, global issue. The points he develops in the context of public health apply equally to sustainability).

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**Class 16 (Thursday, March 2)**

**Topic:** System Dynamics & Systems Thinking - cont’

**Content:** We will continue our study on system dynamics and systems thinking.

**Readings:**


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**Class 17 (Tuesday, March 7)**

**Topic:** System Dynamics & Systems Thinking - cont’

**Content:** We will continue our study on system dynamics and systems thinking.

**Readings:**

• TBA

**Due for select students:** Analysis Brief - System Dynamics

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**Class 18 (Thursday, March 9)**

**Topic:** Sustainability & Varieties of Capitalism

**Content:** Markets and firms operate within a system of higher-level formal and informal institutions that together shape different forms of capitalism. We will study the role of these different forms of capitalism in driving different sustainability outcomes. Time permitting, we
will also study the virtues and limitations of “Benefit Corporations” (a new (legal) class of corporation in the U.S. that is distinct from the more common C-Corporation).

Readings

- Familiarize yourself with the Benefit Corporation legal structure at http://benefitcorp.net/.
- TBA

Due for select students: Analysis Brief - Sustainability & Varieties of Capitalism

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March 14 & 16: no class meetings

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March 21 & 23: Springbreak

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Class 19 (Tuesday, March 28)

Topic: Sustainability Accounting, Reporting and Assurance

Content: The readings for today provide an introduction to issues surrounding the systematic accounting and reporting of firms’ economic, social, and environmental impacts. We will use the students’ analysis briefs to study different accounting frameworks, and highlight best (and poor) approaches to reporting firm environmental and social performance.

Readings:

- Sustainability Accounting and Reporting – FAQ (American Institute of CPAs): http://www.aicpa.org/InterestAreas/BusinessIndustryAndGovernment/Resources/Sustainability/Pages/SustainabilityFAQs.aspx
- Why SASB is a game change for sustainable business (Makower, J. GreenBiz (1 October 2012) http://www.greenbiz.com/blog/2012/10/01/why-sasb-game-changer-sustainable-business
- Environmental Profit and Loss: The new corporate balancing act, Meyers, D. & Waage, S. GreenBiz.com (February 18, 2014)
• Browse the following webpages to familiarize yourself with different sustainability accounting and reporting initiatives
  o Global Reporting Initiative and its latest guidelines, G4, at https://www.globalreporting.org/Pages/default.aspx,
  o Integrated Reporting at http://integratedreporting.org/
  o SASB at http://www.sasb.org/

Optional: (this reading is of particular relevance to students interested in the accounting and assurance industry)

• The state of sustainability assurance and related advisory Services ibn the U.S. (June 2015) American Institute of CPAs.

Due for select students: Analysis Brief – Sustainability Reporting

Class 20 (Thursday, March 30)

Topic: Carbon Accounting

Content: We will use the Frito-Lay case to familiarize ourselves with carbon accounting, a ‘subfield’ in environmental accounting focused on accounting for and reporting a firm’s greenhouse gas emissions.

Readings:
• Frito-Lay North America: The Making of a Net Zero Snack Chip. (in case package)
• Corporate Greenhouse Gas Accounting: Carbon Footprint Analysis (in case package)

Optional:

Due for all: Case Brief - Frito-Lay North America. Submit a one page summary (max.) of your answers to the following case questions, as well as a spreadsheet to answer questions 2 and 3:

• If you are Al Halvorsen, what are the arguments that speak for the net zero facility idea, and what speaks against the idea?
• Use information from the reading “Corporate Greenhouse Gas Accounting: Carbon Footprint Analysis” as well as information from the case to calculate, for the Case Grande facility, the metric tons of emissions of greenhouse gases from electricity and natural gases usages for each year from 2002 to 2007. Pay close attention to units when applying emissions factors. The uploaded spread sheet contains Exhibit 5 from the case.

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• Project the estimated reduction in greenhouse gas emissions and operating costs savings that will result from the proposed net zero project in years 2008 – 2010 (for your analysis, assume that all equipment upgrades are made immediately at the start of 2008, rather than phased in over the years such that reductions are effective immediately).

Class 21 (Tuesday, April 4)

Topic: Assessing Firm Environmental Performance

Content: We will continue to study how to measure and report sustainability. The assignment that is due today will have you experience some of the fundamental issues surrounding the measurement (and comparison) of firm environmental performance. It’s a tricky undertaking, yet an essential one. Unless we develop a sense of what exactly good (or bad) firm environmental performance means, and how it can be measured, efforts to make businesses more sustainable can be misguided, and inquiries into links between environmental performance and financial performance are futile. In today’s session, we will have a subset of teams present their environmental performance assessments.

Readings

Due for all (on Monday, April 3rd at 8:00 PM): Firm Environmental Performance Assessment. For detailed instructions refer to the Assignment section of this syllabus.

Class 22 (Thursday, April 6)

Topic: Assessing Firm Environmental Performance - cont’

Content: We will continue debriefing the firm environmental performance assessments and speculate about the future of the market for rating and ranking companies.

Readings
• none
Class 23 (Tuesday, April 11)

Topic: Eco-labels and Certification Schemes

Content: We will study eco labels and certifications as one means for firms to communicate to stakeholders about their environmental performance. What is the theory underlying these label and certification schemes, what other purposes may they have, how are they designed, and what designs appear to be the most effective under what circumstances?

Readings:

Due for select students: Analysis Brief – Eco-labels and Certification Schemes

Class 24 (Thursday, April 13)

Topic: Sustainability Frameworks & Tools

Content: This class marks the start of our last module. In this module, we will study various sustainability frameworks and tools and how they can guide business decisions. Clearly, how one frames a problem greatly determines the solution path and outcome. There are many different sustainability frameworks: industrial ecology, biomimicry, ecological economics, industrial symbiosis to name just a few. We will spend this class to create a conceptual map of these various frameworks and tools, with a particular focus on highlighting their differences in assumptions, scope, and areas of applicability.

Readings:
- Handout: list of sustainability framework, concepts, tools

Homework (does not need to be submitted): Prepare a conceptual map of the various frameworks and tools that are mentioned in the reading and listed in the posted handout. The goal is to create some clarity around each framework’s focus, and how they relate to one another/are different from one another. Organize your map according to criteria or dimensions that make sense to you (e.g., it could be according to the concept’s level of analysis; the time at which it emerged; whether it’s a concept versus tool, etc). Be prepared to have your map shared with the class via the document projector.
Class 25 (Tuesday, April 18)

Topic: Cradle-to-Cradle Design in Action - Herman Miller case

Content: We will use the case “Cradle-to-Cradle Design at Herman Miller” to study how Herman Miller, an office furniture maker, has implemented a C2C protocol and how this framework was used to operationalize a firm strategic vision.

Readings:

- Cradle-to-Cradle Design at Herman Miller: Moving Toward Environmental Sustainability (in case package)

Due for all: Case Brief - Cradle-to-Cradle Design at Herman Miller. Submit a one page summary of your answers to the following case questions:

- What arguments speak for, and what arguments against, Herman Miller using TPU instead of PVC in the Mirra Chair arm pad? As CEO of Herman Miller, what would be your final decision, and why?
- What did it take to implement the DfE/C2C protocol at Herman Miller? Further, what are some of the key aspects that facilitated implementation?
- Will Herman Miller capture value from the DfE/C2C initiative? If so, how?

Class 26 (Thursday, April 20)

Topic: (Sustainable) Value Networks in Action - Walmart case

Content: Walmart uses the “sustainable value networks” concept to green its supply chain. We will use today’s case to explore how different attributes of some of Walmart’s supply networks influence the potential and ease with which these networks can be “greened”.

Readings: (As you read the case, focus on pages 4 - 6 (intro to Walmart’s value networks) and pages 8 - 20 (description of the three value networks you are asked to analyze). Skim the rest.

- Walmart’s Sustainability Strategy (in case package)

Due for all: Case Brief – Walmart’s Sustainability Strategy. Submit a one page summary of your answers to the following case questions:

- Through which ways might Walmart’s environmental efforts have positive effects on its financial outcome?
- Imagine that you are Andy Ruben or Tyler Elm, evaluating the progress of the electronics, seafood, and textiles networks. Which of these three networks have been
most successful in becoming more sustainable, and what factors might explain the success (or lack of success) of these networks?

- Walmart is staking its reputation to become more sustainable on the behaviors of its suppliers. This makes supplier cooperation a critical aspect. To be sure, Walmart can “throw around its weight” to induce cooperation, but what are other measures and actions it has undertaken to secure supplier cooperation?

Class 27 (Tuesday, April 25)

Topic: Socially Responsible Investing - Divestment Debate

Content: We will debate how UW should respond to 350.org’s demand to divest from fossil fuel. If yes, why? If no, why not? We will draw on your position statements to explore the case for and against this divestment decision in class.

Readings:
- Determined by each team’s research

Due for all: Position Statement — Divesting from Fossil Fuels

Class 28 (Thursday, April 27)

Topic: Industrial Symbiosis in Action - Cook Composites Case

Content: We will explore how one company used the notion of industrial symbiosis — or, more particularly, the concept of by-product synergy - to guide its waste management practices. The Cook Composites case will allow us to assess different waste management alternatives, including recycling, waste exchange options, and engaging in by-product synergies (industrial symbiosis).

Readings:
- Cook Composites and Polymers Co. (in case package)

Due for all: Case Brief – Cook Composites and Polymers Co (CCP). Submit a one page summary of your answers to the following case questions:

CCP faces three options for addressing its rinse styrene waste stream:
  a) Continue with business-as-usual, sending its rinse styrene to cement kilns
  b) Sell its rinse styrene on a waste exchange
  c) Proceed with developing the concrete coating that uses its rinse styrene (BPS).

- What arguments should Mike Gromacki be considering when deciding whether to pursue the waste exchange, the concrete coating by-product, or business as usual? Think about
the pros and cons associated with each option. Which option should he ultimately recommend to management, and why?

- Compared to business-as-usual, what are the financial implications for CCP of selling its rinse styrene to a waste exchange, and what the implications of producing the concrete coating by-product (BPS)? In addition, also identify the optimal amount (from a financial perspective) of styrene use for the three different scenarios. You may create your own spreadsheet or use the posted spreadsheet to calculate expected profits for each of the options. (For now, ignore the $3 Mio needed for R&D for bringing BPS online).

- What is the environmental impact (relative to business as usual) if CCP implements BPS? Consider just the impact on CO2 emissions. From case exhibit 9, you can calculate that diverting 1 pound of styrene from cement kiln disposal to reuse in concrete coating increases the kiln’s emissions by 1.2 pounds CO2. Producing concrete coating with 1 pound of rinse styrene emits 1.9 fewer pounds of CO2 than conventional production of the same amount of concrete coating. Producing one pound of styrene results in 2.5 pounds CO2 emissions. You can use the posted spreadsheet for your calculations.

Class 29 (Tuesday, May 2)

Topic: Environmental Differentiation Strategy

Content: We will study the feasibility of environmental differentiation strategies. Imagine a LCA has revealed that your firm’s products have environmentally superior attributes. Under what conditions might the firm be able to pursue a differentiation strategy and demand a price premium for its products? We will use the Patagonia case and the StarKist case to explore this question.

Readings:
- Patagonia (in case package)
- StarKist (in case package)
- Strategic Positioning: Cost advantage and Benefit Advantage (Besanko et al., Chapter 11) (This reading is intended for students without prior knowledge in strategy (cost leadership versus differentiating strategy).

Due for all: Case Brief – Patagonia & Starkist. Submit a one page summary of your answers to the following case questions:

- Do you anticipate StarKist to derive financial (economic) benefits from its decision to implement a no-encirclement decision? Why/why not?
- Compare Patagonia’s effort to drive its environmental differentiation strategy with its organic cotton T-shirts versus Starkist’s efforts at environmental differentiation with its dolphin safe tuna. Using this comparison, derive some general conditions under which companies may be able to pursue an environmental differentiation strategy for its products.
Class 30 (Thursday, May 4)

**Topic:** Wrap-Up

**Content:** We will use this last class to recap what you have learned and to tie up loose ends and unfinished discussions. The competency assessments that is due this class will require you to reflect on the knowledge and skills that you have taken away from this class, provide an opportunity to recognize how the various class sessions fit together, and allow you to see the class in its whole.

**Readings:**
- None

**Due for all:** Competency Assessment. For detailed instructions refer to the Assignment section.