

Interview with Andy Hoffman

What is your motivation for teaching climate change in business classes?

I have a very clear answer to that question: If business does not solve the problem of climate change, it won't be solved. The market is the most powerful institution on Earth, business is the most powerful entity within it. So the market has to shift to address climate change. Many blame the market for climate change and the emergence of the Anthropocene, some call it the Capitalocene, and that's a fair criticism, but if we are going to address these issues the market has to shift. New forms of mobility, new forms of protein, new models of consumption, all these things have to come from the market or we are doomed. So that's my motivation for teaching climate change in business classes.

When did your interest in climate change start?

I was interested in environmental issues from the beginning. I could go all the way back to my undergraduate years in the early 1980s, but I started my PhD in 1990 and I was still interested in environmental issues. Climate change was only starting to pick up then. It only started to become an issue in business in the late 1990s, and in the business school it would just be part of a fringe elective until the early 2000s. It was only ten or eleven years ago that business schools really started to take this issue on in a serious way. When I was doing my PhD in the early 1990s and tried to get people on my committee in business schools, the reaction was, what are you doing here, why are you talking to us? Now I go back, look at the webpage of my alma mater, and all those same professors now list sustainability and climate change as one of their core areas. I also like to point out that in 1997 I interviewed at INSEAD in France, and they said "we love your stuff on

institutional theory but think you are too focused on the environment." Now they would never say that. It was an issue that was not acceptable, you were seen as an advocate, as an activist, and if this is a political issue, what are you doing in a business school? Now it is totally different.

Do you encounter this as a reaction a lot, that people think you are more like an advocate, and that this is more a political issue than an academic one?

Certainly ultra-conservative people would see me as an activist. Those that do not believe that climate change is real. I have a folder for hate mail that I get. I had one attack me in a meeting who said "Why do you want to destroy the market? Why do you teach environmental issues in a business school? Why do you hate capitalism?" Those are fringe voices. More people in business know this is real. In my opinion, many are ahead of academia in taking it seriously as a business issue. Certainly the students are there. The students are clamoring not just for content on climate change per se, but on a new conception of business. We have seen this recently at the World Economic Forum, BlackRock, and Business Roundtable, all saying that the purpose of the corporation is NOT just making money for shareholders. The students are already there, they are anxious for this. I taught a brand-new course this past winter – Business in Democracy: Advocacy, Lobbying and the Public Interest – to take a look at the influence that business has on policy and the role of government in the market. It was a joint course between the School of Business and the School of Public Policy. I had 75 students enrolled and a waiting list. That just does not happen to a first-time class. A lot of students from the business school told me they are so anxious for content in their business curriculum on the proper role of government in the market. That is in line with what they look for in their careers. When I started, students who wanted to change the world typically went to schools for government and non-profit entities, and now many go to business schools because they see the power of business to improve the world – or to destroy it. They want a role in the former.

But too many business students think that the government has no role in the market, and that regulation is an unwanted intrusion in the market. And that's just absurd. They also take capitalism for granted, at least in its present form, and I have been trying to teach them that capitalism is actually diverse – Scandinavian capitalism, American capitalism, Japanese capitalism are all very different. And it is quite malleable, it changes over time. We need regulation in the

market to set the rules of the market. It is not a natural state like the law of gravity. It is a human-made institution, and an expression of human needs. And it changes when those needs change. So we need regulations that set the parameters of the market, or we are in deep trouble. I also would add that a lot of students from schools of government see business as the enemy. When I taught this course with students from the School of Business and the School of Public Policy, I asked them “what do your peers think when you are taking this course on business and democracy?” The students from the School of Public Policy said that their peers could not believe they were actually setting a foot inside the business school, because that’s the enemy. And a lot of the Business students said that their peers asked, what relevance does that have for running a business? That speaks volumes to the problem that we have. The idea that government is irrelevant to business is just bizarre.

I would also add that many of the students I teach really go into business because they want to make a positive difference in the world, and they see the power of business to do it. I have a book manuscript that will come out next spring from Stanford University Press that is called *Management as a Calling*. It is playing on that idea that students see their role in management as having a vocational purpose in the same way we think of doctors and lawyers. If your dominant paradigm in your job is just to make money – and business is a way to make an obscene amount of money – we are doomed.

Do you think business schools are ready to introduce government as one of their core issues?

Maybe not into the core. Rebecca Henderson at the Harvard Business School has a course on Re-imagining Capitalism. She expected a short elective course, it turned out the students ate it up, she had four or five sequences of it, and she wrote a book! And think about the Sustainable Development Goals (SDGs). I find it fascinating to see the extent to which these have been taken up by business and business schools. They have really adopted the SDGs as a serious model for how to change the structure of business. I find the SDGs far more robust than the triple bottom line – social, environmental, and financial – which was innovative when it was first introduced in 1997, but it is too simplistic

today, no one really knew how to put it into practice, make tradeoffs among the three parts and combine them into one metric. But the SDGs I find quite fascinating, the way they are picked up. Income inequality, reimagining capitalism, the role of government in the market – these kinds of courses have to be a part of the future of business education. I really do not like being

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labeled as a business and sustainability person, it is that category of electives for the do-gooders. It really has to be the core of the business school to give courses like this, to bring it to the fore.

What are the biggest challenges in your teaching programs?

There are some deeply held assumptions that will not die, and resistance from people in particular disciplines in my school. I think that resistance is not as strong in Europe. I find that finance is typically more resistant to these kinds of issues. When the dean at my business school wanted to re-focus and re-center the branding of the school around “positive business” and business making a positive difference in the world, it was the folks in finance who said “are you telling us that we are teaching negative business? What are you talking about?” In 2012 I co-edited a handbook for Oxford on business and the natural environment, and we invited authors from all of the disciplines. The hardest chapters to get authors for were finance and accounting. They do not see the natural environment or sustainability as theoretically novel and therefore they are much slower to write about it. Some of the assumptions in those disciplines are part of the problem: discount rates, gross domestic product, shareholder primacy – these concepts and models can stand in the way of real progress.

The persistent challenge has always been that issues around sustainability are typically electives, and it does not really penetrate the core. I tried to crack it, others have tried to crack it, but it's hard to crack. There is tremendous inertia in the core. But as students demand this to increase, it is going to be hard to avoid. This Covid crisis is going to be an inflection point for management education, because you cannot look at the market right now and the problems that have been exposed by Covid, particularly income inequality and climate change, and think you can stay on the present course. I do find change just in the past couple of months on two issues that are really important. One, rethinking management education and rethinking the role of business in society, but, two, the professors, the role of scholars in society. Too many of us think that we just write papers, publish in academic journals, and we are done. The quality of public discourse on science in particular is abysmal. Fake news, pseudoscience – if we as academics do not step into the breach and try to fix that, who will? And if we think that we can continue to draw our salaries, which are quite comfortable salaries, for doing work that merely talks to a small academic community, I think we do so at our peril. Again, I think this an area where Europe is ahead of the United States. I have found colleagues in Europe that are far more comfortable taking positions on public issues, where professors in the United States hold to that idea that the objective is to stand apart from the political debates. I think that's nonsense. We do our work, and it has political implications, whether you like it or not. Your silence will not save you; you have to step into the breach.

There has been a growing debate in the US around questioning the American model of the business school, while at the same time there is a movement within Europe to move more towards that model. It's like two ships passing in the night, and I want to say to the Europeans, stop, go back, go back to where you came from. Don't follow us.

The challenge before us is that we have to totally redesign the business curriculum. The challenge is not working climate change into the curriculum as it stands, the curriculum has to be redesigned for the twenty-first century. It has not changed for decades and so in that redesign process I would challenge people in economic sociology to enter the conversation. Because if you just leave it to economists, certain assumptions and models will stay, and that leads to shareholder primacy and short-termism, to a focus on one type of shareholder who does not care about long-term profits or a sustainable world, it will lead towards CEO compensation that is hooked to share price, which leads to perverse incentives. Economic sociology should enter this conversation, not only in educa-

tion but also in public discourse, embrace the role of the engaged scholar. The conversation in the public sphere has been dominated by economists. People think that economists have all the answers, and that's unfortunate because they don't. There is room. Look at writers like Daniel Kahneman, Richard Thaler, Malcolm Gladwell and others that are writing these social science books that people are diving into, they are anxious to read all these.

Do you have similar experiences in executive teaching as in graduate teaching?

I have done some executive teaching but not a lot. We have tried to get executive education programs going on climate change. Here in the US most companies will come back and say, we know that it is important, but right now we are on a "need to know" basis, and absent of any kind of move in Washington we don't need to know. But in some multinational companies that operate in other parts of the world, I have been called into executive education to teach about climate change and environmental issues more broadly – because in my teaching and research I take climate change as an example of something much broader, a whole class of issues that sit under the umbrella of the Anthropocene. There are nine planetary boundaries in the Anthropocene; climate change is just one of them. There is a shift in the extent to which humans are altering the systems of the Earth, be it particulates, species extinction, water scarcity – a whole host of issues. I like to point out to people that when I was born in 1961 there were 3 billion people on Earth, today there are 7.5, and by 2050 there will be 10 billion people. That alone speaks volumes to the extent to which we are now an animating force in the environment. If we do not understand our overpowering presence, we're in trouble. And the market is a source of that overpowering presence; the market has to shift.

Do you think that institutional theory is helpful for understanding and explaining change?

For me it is, because I put institutions and culture under the umbrella of macro-sociology, and these issues are as much cultural as they are economic, technical, or political. As an example: Economists, who pretty much dominate the political debate in talking about issues of climate change, keep focusing on a carbon price to solve the problem. I am not denying that a carbon price is important, but the idea that this is the silver bullet that is going to completely solve it is naive when you start to think about the political dimensions of it. For example, in the 1990s we had a price spike for oil, and the markets responded. People bought more

fuel-efficient cars and drove less, and economists said “see, pricing works.” But if that same price spike was caused by a federal gasoline tax, the response would have been fundamentally different. People would rebel, they would get angry, they would push back. That is where the naivety about carbon price comes in. People are not like lab rats chasing cheese, they actually care about who is putting the cheese there and what the cheese is.

In Ireland, for example, they had a problem with plastic bags. They created a plastic bag tax and it worked. And people say “see, pricing works.” And I come back and say “stop, time out.” First of all, people were pretty much in agreement that they had a collective problem. And then a cultural norm got set that if you were seen carrying a plastic bag you were seen as a jerk, like someone who litters or doesn’t pick up after their dog. That is the important piece here. How did those norms get set? And then you can start to look and say, well, people started calling it a problem, so they welcomed a solution. It is a very young and adaptable culture. And they had no domestic plastic bag manufacturers that could organize opposition. So, in the end, you have to consider the cultural and institutional alongside the economic.

When I take that thinking to talking about the Anthropocene, I think we are amidst a cultural shift comparable to the Enlightenment. It is that big. Once you put it on that frame, then you can start thinking differently and say, okay, when we reach a population of 10 billion people, can they all get a steak for their dinner every night? Absolutely not. How do we start to provide protein? Then you can think more towards vegetables, or plant-based meat substitutes, or insect-based proteins. The Covid crisis really tested us. The food chains became strained, and they are not totally secure yet. And people started asking, where does our food come from? This is an institutional and political challenge, not merely an economic and technical one. So how do you get people eating insects? I would like to point out that when sushi entered the US market in the early 1980s, people thought it was disgusting. Now it is a delicacy. People used to think that lobsters were disgusting. Now we love to eat them. So maybe it is not likely that in the future we eat whole crickets, but cricket powder as a protein source? Over time it will become normal. These are all cultural questions as much as they are economic and technical.

Would you say that cultural change is the most important engine for the transformation towards a climate-friendly society?

I think so. I have been trained in the institutional models of Dick Scott, or the cultural model of Edgar

Schein. I see them as very parallel, since they have three layers or levels. What Scott calls regulatory institutions, Ed Schein calls the artifacts of culture – I find things like pricing and regulation at that top level. All of them are supported by deeper cultural beliefs. That is where change has to happen or we are not going to get there. If not getting my steak every night is seen as a sacrifice, as an imposition on my freedom, it won’t stick. Why is Tesla such a great car? Elon Musk made it sexy and desirable. This is cultural, it is not just economic. The idea that people are willing to spend \$80,000 for an electric car is actually quite mind-blowing if you think about it. The auto experts said that it would never work, but it did because he made it sexy.

Does that imply that you have to teach marketing, or teach how to make things sexy?

Well ... When you put it in terms of marketing, you are trying to sell something. But put it in terms of strategy – where is the market going? That is again a cultural question. What is the future of the auto sector? What do people want? How are tastes changing? On cars, a lot is changing. For example, I own a couple of classic cars. I drove to a faculty dinner with a 1960 MGA. To me, it is a piece of art. But my young colleague looked at me, really looked at me, and said “Andy, I don’t understand it. Can you explain this to me?” And I don’t think I could. He saw a car as strictly utilitarian. So you can look at it like marketing, but I think it also helps to look at it in terms of where the market is going and why. Meat producers are investing in alternative meat companies because they see that is the future. It is not just a marketing question; it is a cultural question and therefore a market question.

People ask me, are you optimistic? My answer is, no, I’m not. But I’m hopeful. Hope has made things happen. Another book I am finishing up is called *The Engaged Scholar*, it is about scholars getting more involved in public and political discourse. It is important that, to communicate to the public, you do not just give them the data. If that were true, everyone would accept climate change. You need to find ways to touch people on an emotional and evocative level, you need to trigger that hope. When I talk about management as a calling or a vocation, my students light up, they really do. It gives me hope that younger generations can change things. The world can change on a dime when properly motivated. Think about changes after 9/11. Things that were not possible on September 10 were now possible on September 12. Covid is also one of those inflection points. Think about Thomas Kuhn’s ideas about revolutionary science. We are there now. In the hands of the right social entrepreneurs you can

fundamentally change our world right now, and I have hope in young people doing it.

Do you have any recommendations for people working in economic sociology?

Well, again, there is so much that they have to offer to the public and political conversation. The rational economic model of homo economicus is dominating the conversation, and I think that's very limiting. People do not work just for wages, they work for meaning. The questions and challenges we face as a society are not merely economic, they are not merely technical, they are cultural, political – power issues start to come in here. What will supplant the fossil fuel industry is a power question, not just an economic one. Sure, shale gas has come in and has knocked out coal, that was convenient, but that was not by design. If you really want to be shrewd and smart about shifting institutions in society, you need to bring a political power

lens to the conversation, a cultural lens, an institutional lens. Then we really give our students a full tool kit on how to think about driving change, and how to use the power of business to solve the world's problems. I do see more people in business really taking on this momentum, but we can't just rely on business to do it for voluntary reasons, we need to bring government back into the discourse.

I think Covid is a real test for the strength of our institutions, and we are seeing the cracks and how we can fix them. Just before Covid, we ran into this period of balkanization – Trumpism, every man for himself, breaking down world alliances – and I hope that people take a look at that and say, “we had a moment to reconsider our global institutions, now let's start to strengthen those institutions because climate change is going to do it to us again.” We will have climate refugees, food shortages, coastal areas being devastated – this is our future, and how we can build the institutions to deal with that is the question before us.