Gustavson Dean Named to Prestigious Education Board

In June, Gustavson was thrilled to see its dean, Dr. Saul Klein, recognized by his peers and named to the board of the European Foundation for Management Development (EFMD). The only board member to represent a North American institution, Klein joins a distinguished group of leaders from highly ranked business schools and corporations around the world.

“This appointment gives us an opportunity to shape the future of management education globally, while highlighting the leading role that Gustavson is playing in encouraging a more responsible view of business,” says Klein.

EFMD is a global non-profit based in Brussels, Belgium. It’s the largest international network association in the field of management development, with over 900 institutional members.

Klein began serving on EFMD’s Global Network Americas Advisory Board in 2017 and EFMD’s EQUIS accreditation committee in 2018. Gustavson is one of a very small minority—less than half of one per cent—of all business schools worldwide to achieve full five-year accreditations from both AACSB and EQUIS.

Black Ink Classroom Dedicated to David Black

In appreciation of David Black’s many years of support, in 2019, Gustavson named its primary instruction space for its BCom students the Black Ink Classroom.

“We are proud to name our undergraduate classroom after such an inspirational leader,” says Gustavson Dean Saul Klein. “We want all of our students, future students, alumni, staff and faculty to know of David’s immense contribution to our school.”

Black served as the school’s first board chair from 1991-1996 after helping the local business community successfully lobby the provincial government and university leadership to establish a business school at UVic. His continued involvement with the school has included the establishment of Black Press Scholarships for undergraduate students and case analysis with MBA students. In 2007, he was named Outstanding Entrepreneur of the Year by the business school.

FINANCIAL SYSTEMS AND THE LOW-CARBON ECONOMY

The effects of climate change are becoming increasingly apparent. While our financial systems are not yet buckling under the strain, they are under high pressure. Investors need to be aware of these pressures and understand that they themselves are a source of pressure, which they can alleviate by shifting investments to the low-carbon economy. Financial systems, composed of banks and other financial institutions, financial markets, and their regulatory and supervisory authorities, will need to adjust. But why and how should individuals invest in the low-carbon economy? Is it an ethical or a financial choice? Or is that a false dichotomy?

LOW-CARBON INVESTMENTS MAKE FINANCIAL SENSE

Whether in five years or 30 years, the world is transitioning to a low-carbon economy. Companies and investors that do not take this into account are inviting larger risks and missing opportunities. Reducing or avoiding exposure to carbon-intensive stocks is a hedge against climate change risk even if it doesn’t lead to higher returns in the short run. Oil companies may have enjoyed high profits recently, but this should not be taken as an indicator of future performance.

Considering past performance, as investors typically do, the trends are not favourable to carbon-intensive stocks. For example, look at the S&P/TSX EW Oil & Gas Index in the Canadian market: it has consistently underperformed compared to many general benchmarks such as the S&P/TSX Composite Index (CAD), with an annualized total return of -0.72% vs 7.33% respectively over the last 10 years. Using the last five-year average returns, the numbers are worse: -10.21% vs 4.1%. On the other hand, the S&P/TSX 60 Fossil Fuel Free Index delivered, over the last five years, an annualized total return of 6.77% compared to 4.97% by the S&P/TSX 60 Index (which includes fossil fuel stocks) over the same period.

In addition to investing in low-carbon companies, many environmentally-friendly financial products such as green bonds offer financially sound alternatives to conventional portfolios focused on fixed income.

ADVOCATING FOR NON-CONVENTIONAL FINANCIAL GOALS

Financial advisors often look at an investor’s risk tolerance and other criteria such as age. Based on this profile, they may make suggestions on portfolio choices. They will rarely ask investors about their ethical, social or environmental goals. Investors need to ask the question and challenge advisors to thoroughly explore the answers. Discussing the numbers, such as historical returns for low-carbon funds or other socially responsible investment choices, will help investors make informed decisions. Fortunately, there’s increasing awareness among financial advisors about the need for more knowledge on this subject, not only to meet investors’ demands but also to prepare for new regulatory pressures to transition to a climate-smart financial system.

INDIVIDUALS MAKE A DIFFERENCE

Exactly as it happens in the consumer markets, the more investors demand products that align with their values, the more the financial sector will use creativity and expertise to offer climate-friendly financial products. Every investor counts in this debate. It’s important at the individual level that people assert their values not only in what they consume but also where they invest their money. It makes sense financially, and it’s the right thing to do for our children’s future.

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Do you have a question for a Gustavson professor that you’d like to see featured in a future issue of Business Class? Email it to bizedit@uvic.ca for consideration.