

The class is not always greener

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Business schools have failed to see the wood for the trees when it comes to teaching sustainable finance.

This year, students at the [University of Michigan's Ross School of Business](#) have been able to opt for a new type of finance course – one covering investing for social and environmental as well as financial returns. However, in spite of the growth of green, social and ethical funds, as well as a rise in interest in microfinance and clean technology investments, few business schools are offering this kind of financial education.

The Ross School's course helps students learn how to structure and value renewable energy and energy-efficient projects, clean tech venture capital and microfinance projects. Part of the course involves team working, with groups creating private equity funds or debt instruments that would both fit in institutional investors' portfolios and also deliver social and environmental gains.

Taught by the [Erb Institute for Global Sustainable Enterprise](#) – a joint venture between the business school and the School of Natural Resources and Environment – the seven-week programme is open to MBA students as well as students from the university's other schools.

In recent years, a few similar courses have been appearing on the MBA curriculum. [Babson College](#), just outside Boston, for example, offers an elective called financing and valuing sustainability. New York's [Columbia Business School](#) has a finance and sustainability elective, with cases covering areas such as socially responsible investing, renewable energy, microfinance and development banks.

At University of [North Carolina's Kenan-Flagler Business School](#), the investment strategy for sustainability seminar courses look at how managers can integrate environmental, social and corporate governance factors into portfolio strategies and investment analysis.

However, these remain among a handful of such programmes. And while many schools offer broader courses on areas such as corporate responsibility and social entrepreneurship, few take sustainability issues into more technical areas such as accounting or finance.

Part of the reason is a dearth of academic research. "There are very few people in a business school environment doing research in these areas, and people's research tends to drive what they teach," says Rick Bunch, managing director of The Erb Institute.

The Ross School turned to alumni practising in the field, including Jon Koch, managing director of US Renewables Group, Gabriel Thoumi, project developer at Forest Carbon Offsets, and Kipp Baratoff, principal of Equilibrium Capital Group.

Moreover, even where schools launch courses such as the Ross School's, they remain electives, with few of the topics they cover finding their way into the core finance courses of MBA programmes.

"The people going into the mainstream financial functions aren't necessarily taking a course like this," says Nancy McGaw, deputy director of the Business and Society programme at [the Aspen Institute](#).

Stuart Hart, professor of sustainable global enterprise at [Cornell University's Johnson school](#) says introducing this type of programme in the core would be time consuming. "That means one less journal article, which might jeopardise them [tenure-track faculty] getting tenure."

As a result, most students taking sustainable finance courses are a self-selecting group, not part of the mainstream MBA cohort. "Schools may be doing a better job of training a group of students who have self-selected for these topics," says Ms McGaw. "But they are not yet doing what they could to bring everybody along."

For Mindy Lubber, president of [Ceres](#), a coalition of investors and environmental groups, this is yet another barrier to the integration of sustainability into the corporate sector – something she argues is needed to protect global resources. "People need the skills and tools, so it needs to be far better integrated into our academic institutions," she says. "And how could we not be teaching students how to put a financial price on natural resources when they are the underpinning of every part of our economic base?"

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