

Incorporating Corporate Social Responsibility and Sustainability Into a Business Course: A Shared Experience

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The author discusses how corporate social responsibility (CSR) and sustainability were incorporated into a business course by using 4 assignments, a project with a CSR question, 7 ethics cases, and 17 ethics scenarios tied to a corporate code of ethics. The author also discusses student evaluation of CSR learning experience, strengths and weaknesses of the assignments, and teaching tips. Because these materials are not discipline-specific, instructors in any discipline may adopt them with minimal modification and preparation time. Helping students appreciate the strategic and economic significance of CSR and sustainability is an important step because these issues will likely define business strategy and performance globally in the next decade.

Keywords: business, corporate social responsibility, curriculum, ethics, sustainability, triple bottom line

In the present article I describe how corporate social responsibility (CSR) and sustainability were incorporated into an introductory managerial accounting course, which is a required course for undergraduate business majors at a small private university. I was the instructor of this course and want to share my experience and CSR resources with other business educators to encourage more incorporation of CSR into as many business courses as possible. There are at least four reasons why business educators should incorporate CSR and sustainability issues into their courses. First, as a result of increasing expectations from the society that corporations act responsibly, corporations have come to realize that they are responsible not only to capital providers and investors but also to a broad base of stakeholders, including consumers, customers, employees, governments, and local communities (Ballou, Heitger, & Landes, 2006). Businesses worldwide are now starting to evaluate the way that their products, production processes, operations, and reporting affect the environment and these stakeholders. For example, carpet manufacturer Interface's goal, as evangelized by its longtime leader Ray Anderson, is to achieve zero impact on the environment by 2020 (Interface Flooring Systems, 2002). An effort to de-

velop a globally consistent approach to CSR (sustainability) reporting is also ongoing, as evidenced by a recent formation of the International Integrated Reporting Committee by the Prince of Wales's Accounting for Sustainability Project and the Global Reporting Initiative (Lamoreaux, 2010). Therefore, it is crucial to sensitize undergraduate business students to CSR so that they would become socially responsible business leaders of tomorrow.

Second, students are interested in going green, and have been exposed to environmental and social responsibility issues since elementary school education (Misur, 2009). Students started to engage in recycling, saving energy, protecting environment, helping local communities, and donating to local charities as early as their kindergarten and first-grade years (Flynn, 2008). Therefore, it is the responsibility of college-level business educators to further enhance students' interest in and understanding of CSR and sustainability. Third, for a few decades, a number of academicians have criticized business schools for their failure to align their structures, cultures, and curriculums with social responsibility so as to have a socially responsible impact on students or executives-to-be (Reich, 1970; Reid, 1980; Schwartz, Kassem, & Ludwig, 1991; Warren & Tweedale, 2002). As asserted by Schwartz et al., business schools need to emphasize the congruence between doing what is right and doing what it takes to get ahead. Fourth, as early as 1988, the accreditation requirements of the Association to

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Advance Collegiate Schools of Business (AACSB, 1988) has specified that business school curricula provide an education that addresses the need for responsible citizenship in society. Although the AACSB has not specifically required CSR or sustainability, the inaugural 2010 AACSB Sustainability Conference, which provided tips and tools for sustainability education, clearly suggests that the AACSB highly values sustainability in business school curricula.

This article makes significant contributions to the very scant literature on CSR education because there is presently no published study about how to incorporate sustainability issues into undergraduate business courses. The closest article to the present article in terms of subject matter is Marshall and Harry's (2005) article in which they described the structure of a graduate CSR-specific course and the challenges in designing such a course, Global Business and Sustainability, a core course of global sustainability track in the Master of International Management program. However, most business schools do not have such a track and a standalone CSR course at either undergraduate or graduate levels. In addition, the structure and the expectations of a graduate course likely differ from those of an undergraduate one. Therefore, their article may not be applicable to undergraduate business courses at most schools. However, Marshall and Harry stated that it is greatly challenging for business educators to find effective means for integrating sustainability into course content because of the unavailability of sustainability-oriented textbooks. In the present study I attempted to address this challenge and fill the literature gap by sharing the experience of and the teaching tips and materials for integrating sustainability issues into undergraduate business courses.

The remainder of this article is presented in five major sections. The first section provides background information about CSR and sustainability. In the second section I explain the importance of integrating these issues across the business curriculum. In the third section I discuss how I incorporated these issues into my sophomore-level managerial accounting course. In particular, I used four assignments, a project question, and class discussions of ethics cases, a corporate code of ethics, and ethics scenarios. In the fourth section I present student evaluation of the CSR learning experience and teaching tips for instructors. In the fifth section I report conclusions.

Background About CSR and Sustainability

CSR has become increasingly important worldwide in the last few decades as society demands that a corporation be accountable for its environmental and social impact. According to del Mar Garcia de los Salmones, Herrero Crespo, and Rodriguez del Bosque (2005), CSR is defined as "the moral obligations that maximize the positive impact of the firm on its social environment and minimize the negative impact" (p. 369). It includes a wide variety of issues ranging from ethical financial reporting to environmental protection, relations with local communities, working conditions, and donations

to charities. Therefore, CSR stakeholders are not only limited to shareholders of a corporation but also to consumers, customers, employees, suppliers, potential investors, local communities, governments, and nongovernmental organizations. Consumers are asking for green products, employees and local communities are concerned with the health and safety aspects of production, governments have imposed more environmental regulations, and nongovernment organizations are running campaigns for the environment and sustainability.

Although some may think that meeting these emerging CSR challenges means additional costs of conducting business, there are indeed supporting evidences for the benefits of CSR including greater efficiency and cost reduction. Empirical studies have shown that CSR actions have a positive influence on the preferences of a) consumers (e.g., Brown & Dacin, 1997; del Mar Garcia de los Salmones et al., 2005; Madrigal, 2000), b) investors (e.g., Orlitzky, Schmidt, & Rynes, 2003), and c) job applicants (e.g., Backhaus, Stone, & Heiner, 2002; Greening & Turban, 2000). Zairi and Peters (2002) also documented links between CSR, return on equity, business image, and performance. Therefore, when CSR issues are successfully incorporated into corporate strategy, they can be transformed into competitive advantages.

Closely related concepts to CSR are sustainability and Triple Bottom Line. According to the Institute of Management Accountants (IMA; 2008),

Sustainability is the ability of the organization to know, understand, and consider all the factors that impact its value and drive its ability to continue to operate into the future. A board of directors is not representing the shareholders if it fails to consider the impact of social and environmental factors as well as the economic tangibles and intangibles that contribute to this ability to sustain the enterprise. (p. 29)

Sustainability, therefore, relies on the concept of Triple Bottom Line, which measures corporate performance on the basis of not only economic and financial views, but also environmental and social views. In other words, Triple Bottom Line is synonymous with People, Planet, and Profit.

Importance of Integrating CSR and Sustainability Across Business Curriculum

The scandals at Enron and WorldCom as well as the largest U.S. offshore oil spill at BP's Deepwater Horizon have definitely propelled the issues of CSR onto the world stage. Meyer and Kirby (2010) stated that "The key to becoming a contemporary corporate leader is to take on responsibility for externalities—what economists call the impacts you have on the world (like pollution) for which you are not called to account" (p. 41). Business education at colleges and universities has a crucial role in training future corporate leaders and equipping them with socially conscious thinking and community values that are needed in this turbulence of the changing requirements concerning CSR issues, as these

demands about CSR are expected to rapidly increase in the future (Pesonen, 2003). This is consistent with the view of a former Chairman of the American Institute of Certified Public Accountants, Robert R. Harris, who envisions sustainability as one of the top three unprecedented opportunities for certified public accountants to make a profound and long-lasting contribution to society (Lamoreaux & Bonner, 2009).

Because CSR and sustainability cover practically all functions of a corporation, including product development, production management, marketing, human resources, and sustainability reporting, management of CSR issues should not be confined to a small expert group in a corporation, but rather integrated throughout a corporate enterprise. Likewise, effective education about CSR and sustainability should be integrated throughout the curriculum, not just standalone courses, but interweaving discussions of CSR and sustainability with core courses such as accounting, finance, management, and marketing (Brammer, 2005). This practice is known as the mainstreaming of CSR education. The European Academy of Business in Society, created by six European business schools that are leaders in CSR teaching, has also recommended this approach of teaching CSR (Anderson, 2002).

The Business and Society Program of the Aspen Institute Center for Business Education (2009) annually conducts the Global 100 ranking of business schools that spotlights full-time MBA programs that prepare their students—through innovative course offerings, integrating social and environmental stewardship into their curriculum and scholarly research—to help these future business leaders become a force for positive social and environmental changes. Per the 2009–2010 ranking, York University's Schulich School of Business in Canada was ranked first, followed by the University of Michigan. Sixty-eight of these top 100 schools are in United States, and the other 32 schools are in Canada, Europe, and Asia. Such ranking on the basis of CSR highlights the importance of integrating into a business curriculum CSR and sustainability, which could provide competitive advantages for attracting star students. However, this ranking focused exclusively on MBA programs, implying that these schools likely emphasize CSR and sustainability issues mainly at the graduate business level. I argue that these issues should also be integrated into undergraduate curriculum because not all business leaders are MBA graduates. It is crucial to help undergraduate students understand and appreciate the significance of CSR and sustainability because these issues will likely define business strategy and performance globally in the next decade (Anonymous, 2007).

INCORPORATING CSR AND SUSTAINABILITY ISSUES

I relied on four CSR assignments along with class discussions about these assignments, a class project with a ques-

tion about CSR, seven ethics cases, and 17 ethics scenarios tied to a corporate code of ethics of a real-world company. Business educators may choose to adopt any parts of these non-discipline-specific class materials for their courses with minimal modification and preparation time. Student feedback suggests that students consider these CSR assignments valuable to their learning experience, and would like CSR incorporated into more business courses.

Four CSR Assignments

These assignments are listed in the order of how they were presented to students: a) *The Corporation*, b) *The Evolution of Accountability—Sustainability Reporting for Accountants*, c) *Fortune: The World's Most Admired Companies 2010*, and d) *How to Improve Sustainability of Your School or Your Employer*. Together, they received 15% of total course grade. Student answers to these assignments were also discussed in class. I do not provide solutions to these assignments because answers to their questions can be easily identified in the assigned reading, and there are no right or wrong answers for several open-ended questions.

The Corporation. This documentary film, which was a winner of Best Documentary Genie Award and 26 international awards, raises a number of important questions regarding the roles, responsibilities, and accountabilities of corporations. It featured many well-known commentators on corporate behavior, and is suitable for class discussion and debate on corporate conduct. Because most college libraries should have this award-winning film, instructors can ask their librarian for an electronic copy, and post it on Blackboard via Sharestream for student online viewing. Students may also view the film via YouTube. Students were required to watch both parts 1 and 2, and provide written answers to the specific questions listed in Appendix A. Because the film is 145 min long, students were advised to read these questions before viewing the movie so that they would be on alert for the answer during their viewing. Student answers to these questions were also discussed in class on the due date of this assignment. This powerful film should get students interested in CSR and sustainability issues, and serve as a prelude to the three subsequent assignments. This film was also used in a healthcare law, ethics, and policy course at Rider University.

The Evolution of Accountability—Sustainability Reporting for Accountants. Students were to read this Statement of Management Accounting issued by the IMA in 2008 and answer specific questions listed in Appendix A. Although it is 39 pages long, this IMA Statement discusses an evolution of the sustainability issue in relation to risk management with reference to Enron and WorldCom. It also explains the importance of sustainability to stakeholders, and discusses in details how to develop a framework for sustainability reporting including two global models and

suggestions on how to monitor and measure environmental and social impact. The best part of this Statement is Exhibit 1, which provides a big picture of a framework for sustainability based on the Triple Bottom Line concept. Examples of real-world companies along with their sustainability metrics in Exhibits 4 and 5 should make students realize that sustainability reporting is widespread among many public companies. These three important exhibits should receive a good amount of class discussion. In sum, this reading is highly informative, with a great deal of useful sustainability resources, such as additional reading and references, relevant websites, and sustainability-related organizations. I also identified “The Corporation,” the first assignment, via this IMA Statement.¹

The World’s Most Admired Companies 2010. The third assignment had two parts. The first part required students to read two *Fortune* articles about “The World’s Most Admired Companies” (i.e., Bernasek, 2010; Colvin, 2010), and submit written answers to questions listed in Appendix A. This first part has three purposes. First, it emphasizes how important trust and integrity are to the success of these companies. Second, it highlights crucial factors and business philosophy, such as a company investing in its employees, that differentiates most admired companies from their counterparts. Third, it requires students to exercise their critical thinking by asking them to identify weaknesses of this survey’s methodology and provide suggestions for improvement. In the second part, I assigned each student to one of these 50 all-star companies to conduct the following research:

1. Search for the company’s sustainability policy and efforts on its website, and submit a hard copy of the document. This should convince students that CSR and sustainability issues are important to a real world company.
2. Use the company’s latest annual report and library online databases (ABI Inform Complete, Business Source Premier, or LexisNexis) to search for the company’s positive actions that support its sustainability claims, and also negative actions that discredit its sustainability claims. Students are also required to evaluate the company’s sustainability practices based on its positive and negative actions, and to provide suggestions for improvement. The purpose of this instruction is to sharpen students’ research and critical thinking skills and to make them realize that there are always supporting and discrediting evidences to every claim and argument, and that they should use both types of evidences to make judgment.

Suggestions on How to Improve the School’s Sustainability. Students were to search the school website for the a sustainability mission and goals as well as internal and external sustainability projects and efforts. They were

to submit their search results along with two written suggestions on how to further improve the school sustainability. Part-time students with a full-time employment may choose to apply this assignment to their employers instead of the school. This assignment should make students realize that sustainability issues are not just for big corporations, and that they can help improve the sustainability of their own communities including their school and workplace. Examples of student suggestions are a) requiring all undergraduate students to take a sustainability course, b) incorporating CSR and sustainability issues in more business courses, c) involving students in all sustainability activities, d) submitting electronic (instead of paper) copies of homework, e) installing a motion-sensitive lighting system in all rooms and buildings, f) using solar energy, and g) having an energy-saving contest among dormitories. The students were informed that their suggestions would be submitted to the university administrators for possible implementation. The students appreciated this opportunity to be part of the efforts to improve their school sustainability as this assignment generally received a relatively high ranking in terms of how valuable it is to student learning experience.

A Project Question and Ethics Cases and Scenarios

A CSR question of a class project asks students to provide suggestions on cost reduction that also enhances the company sustainability. Examples of student suggestions on sustainability cost reduction were local purchasing of supplies and production materials to reduce transportation costs, using recycled materials and office supplies, more efficient use of production materials via better training of assembly-line workers, utilizing 100% capacity of delivery trucks to save on fuel cost, turning off all machines and equipment after working hours, and switching to renewable solar energy to lower utility costs. This question about cost reduction that also improves the company sustainability may be used as part of any business course discussion or assignment.

Because ethics is an important cornerstone of CSR and business sustainability, seven short ethics cases at the end of chapter of the course textbook are also discussed in class. Five of these cases emphasize the accountability of a corporation and its officers to truthfully report its operational results. The other two cases highlight the negative consequences of a corporate monopolistic power on consumers, and the social aspects of employee relation and treatments. These ethics cases that were evenly spread over a semester ask students to identify ethical issues, stakeholders, potential effects on these stakeholders, what students would do if they were in the case situation, and what would be the right thing to do. Because textbooks for most business disciplines have end-of-chapter ethics cases, business educators may want to assign these cases for student discussion.

At the end of a semester, a class period was also devoted to discussing a corporate code of ethics of a real-world company and 17 ethics scenarios based on a corporate code of ethics. Class notes about a corporate code of ethics and these 17 ethics scenarios are shown in Appendix B. This end-of-semester ethics wrap-up was to ensure that students realize the importance of business ethics as well as the social and legal consequences of unethical business conduct. These ethics scenarios also serve to reinforce the Sarbanes-Oxley Act ethics requirements that were discussed previously in the semester. Each scenario asks what students would likely do if they were in the situation. Class discussion of these ethics scenarios emphasized potential ethical dilemmas, possible actions that students may take (in addition to an answer of “yes” or “no”), why students likely choose a specific action, possible consequences of students’ chosen action, and whether the action likely violates a corporate code of ethics or the law. The final exam tested student understanding about a corporate code of ethics. Incorporating the ethical aspect into business education is beneficial to students because business ethics could serve as a moral compass to this generation of business professionals, who probably perceive the world less in terms of collective interests and more as individuals who have to make their own way in life (Warren & Tweedale, 2002). Additionally, it could make students become responsible future managers who would be concerned with the impact of businesses on society and the natural environment.

Student Evaluation of CSR Learning Experience and Teaching Tips

Student feedback regarding the four CSR and sustainability assignments was very positive. As part of the course evaluation, I asked students to rate the four assignments on a scale of 1–10 in terms of how valuable they were to their learning experience. All four assignments got an average rating above 7. Assignment 3, *The World’s Most Admired Companies*, got the highest rating, of 7.92, followed by Assignment 4, *Suggestions on How to Improve the School’s Sustainability*, with the rating of 7.76; Assignment 2, *The Evolution of Accountability—Sustainability Reporting*, had a rating of 7.35; and Assignment 1, *The Corporation*, had a rating of 7.29. The project that has a question about CSR received an even higher student rating, of 8.40. Student feedback on class discussions about ethics cases, a corporate code of ethics, and related ethics scenarios was also quite positive. In addition, student evaluation of the course and the instructor was more favorable than that in prior semesters.

Students and the I have also identified strengths and weaknesses of the four CSR assignments. The strength of Assignment 1, *The Corporation*, is that it is a film with visual and audio effects that likely enhance students’ ability to recall its messages long after the viewing, compared with other assignments. Some students also indicated that it is more entertaining to watch a film than it is to read an article or a

website. The weakness is that it is a long, 145-min film, and has some information that students are already aware of, such as pollution and carbon emission from a corporation’s production and operations. Some students also disagreed with its heavy emphasis on the negative impact of a corporation on the environment and the society. However, this weakness may turn out to be a good teaching tool for a class debate on the negative versus positive impacts of a corporation on the environment and the society. The strength of Assignment 2, *The Evolution of Accountability—Sustainability Reporting*, is its insightful information and references on what corporations could do to improve their sustainability especially in terms of measuring and reporting sustainability. Its weakness is that it is dry (i.e., unexciting and not very engaging from a student viewpoint).

The strengths of Assignment 3, *The World’s Most Admired Companies*, are that a) it enhances students’ research skill because it requires them to conduct a research on CSR policies and actions of an assigned company using specific library databases, as well as the company’s website and latest annual report; and b) it sharpens students’ critical thinking ability because they are to criticize the survey methodology and to suggest how the company could improve its CSR. A plausible explanation for why this assignment received a higher student rating than the other three is that business students generally enjoy learning about the recent development of prominent real-world corporations that they aspire to work for and become leaders of. Its weakness from an instructor perspective is that *Fortune* publishes a new survey ranking and related articles every year; therefore, an annual revision of this assignment would be needed. This assignment may also require more instructor guidance than the others because some students may have hard time finding negative CSR actions of an assigned company. An instructor may need to tell students to read a financial statement footnote on contingencies and contingent liabilities, which normally includes pending litigations concerning environmental or social issues. Alternatively, an instructor may allow students to conduct a Google search for other websites, some of which may contain less reliable information than the library databases.

A strength of Assignment 4, *Suggestions on How to Improve the School’s Sustainability*, is that it is a shorter assignment and therefore requires less time for students to complete and less time for an instructor to grade. Students also appreciate an opportunity to learn their school’s sustainability policy because they likely had not been aware of its existence prior to the assignment. Another strength is that it requires students to think critically about how to improve their school sustainability, which is highly relevant to them because they are its stakeholders. A weakness is that business students generally prefer an assignment involving a well-known real-world company.

Given the limited class time in a semester, most instructors may not have much time to cover sustainability issues in addition to required course topics. An answer to this concern would be to use a less intensive approach. For example,

instructors may want to use the short class notes in Appendix C to briefly discuss sustainability and Triple Bottom Line concepts. Instructors would then link the remaining course contents to sustainability and Triple Bottom Line by pointing out to students how a specific class topic is related to the financial, environmental, or social sustainability of an entity. Additionally, instructors may want to discuss relevant ethic cases if their textbooks have an ethic case at the end of a chapter. This discussion should include identification of ethical issues, stakeholders, potential effects on these stakeholders, what students would do if they were in the case situation, likely consequences of students' chosen actions, and what the best action would be with respect to the sustainability of the organization. If their textbooks do not have any ethics cases, instructors may choose to use some of the materials listed in Appendix B, which contains the class notes about a corporate code of ethics and the 17 ethics scenarios. If instructors are concerned that requiring all four sustainability assignments on top of weekly discipline-specific homework would be too demanding on students, instructors may require only one assignment, or may designate it as an optional extra-credit assignment. Strengths and weaknesses of each assignment discussed previously in this section should help instructors select an appropriate one for their courses.²

CONCLUSIONS AND IMPLICATIONS

In the present article I discuss the importance of CSR and sustainability in business education, and describe my experience on how I incorporated these issues into my undergraduate accounting course. In sum, I used four CSR assignments and discussions, a class project with a question about CSR, seven ethics cases, and 17 ethics scenarios tied to a corporate code of ethics of a real-world company. I also describe strengths and weaknesses of the four CSR assignments, and provide teaching notes and several suggestions on how to help others integrate CSR into their courses effectively. Student rating and feedback indicate that most students consider the CSR assignments, the CSR project question, and ethics discussions very valuable to their education. This is consistent with the society's rising demand for corporations to be more environmentally and socially responsible. Consequently, business schools should try to incorporate CSR and sustainability across the undergraduate curriculum because this will likely add value to their business programs, and can serve as an important mean for recruiting star students. Educating students about CSR and sustainability would also make students become more marketable in a job market because an ability to incorporate sustainable processes into a business model can indeed make the business more efficient and reduce costs. Because across-curriculum changes endorsed by the school administration may take some time to materialize, I want to encourage all business educators to start incorporating CSR and sustainability into their courses now. The assignments,

the project question, teaching tips, and class notes on sustainability, a corporate code of ethics, and ethics scenarios discussed in this paper, and also included in the appendixes, should be useful for accomplishing this objective.

NOTES

1. Business educators may access IMA Statements and resources on its website (www.imanet.org) after they have obtained an IMA membership, which is available at a discounted rate for full-time faculty members.

2. In addition to the CSR materials provided here, a website of the Institute of Chartered Accountants in England and Wales has five e-learning programs of business sustainability. The first two programs are free of charge and may be accessible at www.icaew.com/bsp.

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APPENDIX A: QUESTIONS OF THE FIRST THREE OUT OF FOUR CSR ASSIGNMENTS

Assignment #1: The Corporation

1. What are a corporation's responsibilities to its stockholders? Has a corporation fulfilled these responsibilities? Explain.
2. What are a corporation's responsibilities to its stakeholders? Has a corporation fulfilled these responsibilities? Explain. Also discuss both the negative and the positive impact of a corporation on its stakeholders.
3. Which mechanisms would effectively monitor a corporation regarding environmental and social issues?
4. Do you have any concern with Wal-Mart's paying 3 cents of labor cost for producing a handbag? Justify your answer. What is the impact of this low cost on

Wal-Mart's contribution margin and break even point of sales?

5. Can every product be made “sustainable”? Justify your answer. Also access www.interfaceflooring.com/sustain and identify the corporate vision and seven faces for delivering the vision in “The Journey Begins”.
6. According to “Private Celebration” segment of the movie, what is the top factor attributable to the success of a corporation? Justify your answer. Is this factor reflected in the financial statements?
7. What could happen to a few employees who stand up against a big corporation? What would you do if you were one of the two FOX reporters who investigated Monsanto's milk production?
8. What could happen if “the people united” stand up against a big corporation? Provide an example in the movie.
9. What can you do now to help enhance environmental sustainability?
10. When you become an executive of a corporation, what would you do to help enhance environmental sustainability?

Assignment #2: The Evolution of Accountability—Sustainability Reporting for Accountants

1. What is “Triple Bottom Line”?
2. What are six fundamental aspects of developing a response to sustainability reporting?
3. Discuss seven driving principles that apply to all aspects of what is to be reported to stakeholders.
4. How is sustainability related to risk management?
5. Identify organizations that are involved in developing framework/guidelines for sustainability reporting.
6. What is ISO 14001?
7. What are benefits of sustainability (being socially responsible)?
8. What are the roles of the accounting profession in sustainability?
9. Identify two global models for sustainability reporting.

Assignment #3: The World's Most Admired Companies 2010

1. Why trust and integrity are especially important in 2009?
2. Explain whether you agree or disagree with Warren Buffett about trust.
3. Explain whether you agree or disagree with the author about why Apple took the No. 1 spot by the highest margin ever.

4. Identify three most admired companies that were able to move sharply up the ranking and discuss how they did it.
5. What differentiate most admired companies from other companies? How did they make their employees feel engaged by their work? How does this affect their profit?
6. Identify weaknesses of the survey with respect to its respondents and how the survey was conducted, and provide suggestions for improvement.

APPENDIX B: CLASS NOTES ON CORPORATE CODE OF ETHICS AND 17 ETHICS SCENARIOS

Corporate code of ethics is an important part of corporate governance which is to ensure that managers behave in the best interest of stockholders and other stakeholders. Ethics are crucial for fraud prevention.

Fraud Triangle

1. Opportunity
2. Motive
3. Rationalization

Preventing Mechanisms

- Effective Internal Control & Auditing
- The Right Corporate Culture
- High Ethical Values

Code of business conduct and ethics is aimed at curbing the rationalization. The code generally covers nine areas.

1. Accurate accounting records
 2. Conflict of interest
 3. Confidential information
 4. Proper use of company assets
 5. Compliance with laws
 6. Competition and fair dealing
 7. Trading on inside information
 8. Anti-nepotism policy
 9. Reporting illegal and unethical conduct
1. **Accurate accounting records:** All business records must be clear, truthful and accurate. This includes such data as quality, safety, personnel, and all financial records. Misrepresenting facts or falsifying company records is a serious offense.
 - 1.1. Will you honor your boss's request of you to sign and submit a company purchase order for a computer game (\$19.95) that he wants to give to his son?
 - 1.2. Will you honor your boss's request of you to sign and submit a company purchase order for a computer (\$1,995) that he wants to give to his son?
 - 1.3. Bill-and-Hold Sales: As the CEO of a company, you are concerned that sales this year may be way below target sales. Will you offer your wholesale

customers: (1) an unusually big discount to induce them to buy more products than they can promptly resell, and (2) to hold the products in your warehouse until the customers need them?

- 1.4. Will you honor your boss's request to record an expense as an asset?
2. **Conflict of interest:** Employees must make business decisions and actions based on the best interests of the company and its stakeholders, and must not be motivated by personal considerations or relationships. For example, relationships with prospective or existing suppliers, contractors, customers, competitors or regulators must not affect employees' independent and sound judgment.
 - 2.1. You are the purchasing department director who is supposed to get the best deal for your company from different suppliers. One of the suppliers would like to take you out for nice lunch. Will you accept this supplier's invitation?
3. **Confidential information:** Except in connection with the performance of their duties, employees are prohibited from disclosing or using confidential or proprietary information outside the company, either during or after employment, without company authorization.
 - 3.1. You are the manager of a local UPS delivery office. Your sister just started her own whole-selling business in the local market where there is only one other competitor. This competitor uses UPS services for all deliveries to his customers. Will you provide your sister with the name and address of customers of her competitor?
4. **Proper use of company assets:** Protecting company assets against loss, theft and misuse is every employee's responsibility. Company's equipment, vehicles, tools and supplies are to be used for conducting company business. They may not be used for personal benefit.
 - 4.1. During work hours, will you use your employer's computer for personal purposes?
 - 4.2. Will you use your employer's copy machine to copy your personal items?
 - 4.3. Your company gave you a corporate credit card to pay for business lunch/dinner with the company's clients. Will you use your company's credit card to pay for your family dinner?
5. **Compliance with laws:** Employees must comply with laws and regulations wherever company does business. Foreign Corrupt Practice Act prohibits U.S. firms and their workers/agents from bribing foreign officials.
 - 5.1. Your company relocated you to a country where it is very common to bribe a policeman for just \$10 to avoid the ticket for a minor traffic law violation

- such as speeding or running the light. The ticket must be paid in person at a local police station and the whole process can take more than an hour. You are in a hurry to go to a business meeting when a policeman stops you for speeding. Will you make \$10 bribery to the policeman?
- 5.2. You are a partner to a joint venture with a Chinese businessman. The joint venture is about to be audited by the Chinese tax authority and may have to pay a few million dollar in tax underpayment and penalty. Your Chinese business partner suggests \$1,000 bribery to the tax auditor to avoid being audited. He states that it is not uncommon in China to bribe a tax authority and that he used to do it in his previous joint venture. Will you agree to make the \$1,000 bribery?
6. **Competition and fair dealing:** Employees must not use any illegal or unethical methods to gather competitive information. The Federal Trade Commission Act prohibits misrepresentations of all sorts that are made in connection with sales including false or misleading advertisement.
- 6.1. You are the CEO of a firm which makes and sells dinnerware. The dinnerware is advertised as 100% lead free, and this is the main selling feature of the product. It recently came to your attention that the most popular line of the dinnerware has a small trace of lead (within the required safety level). Will you recall the product?
7. **Trading on inside information:** Using inside material information (not available to the public) for trading or tipping others to trade is both unethical and illegal.
- 7.1. You overhear your boss's phone conversation that your company will soon have to restate downward earnings in the past three years. This restatement will likely lead to a big decline in the company's stock price. Will you immediately sell the company stock that you own before a release of this news to the public?
- 7.2. Same situation as above except that you do not own the company stock. Will you try to profit from the imminent decline in stock price by buying a put option on the stock before a release of this news to the public?
8. **Anti-Nepotism Policy:** To reduce favoritism or its appearance, and to prevent family conflict from affecting the workplace, an employee's relative is not permitted to work as a supervisor or a subordinate of the employee.
- 8.1. Your niece (with a different last name from yours) applied for an internal auditor position. She has five years of work experience in internal auditing. The other candidate has ten years of internal auditing experience and the same education background as your niece. As the director of the internal auditing department, will you hire your niece instead of the other candidate?
9. **Reporting illegal and unethical behavior:** Employees have a duty to promptly report violations of a corporate code of ethics via an anonymous phone hotline or to an appropriate company representative, e.g., Chief Compliance Officer or Chairman of an Audit Committee. In addition, a company usually requires employees to certify that they have complied with all areas of the code.
- 9.1. Your very close friend and co-worker confided with you that it's the first time that he used the company credit card to pay for his family dinner because he forgot his personal credit card. You are the only one who knows this. Will you report your friend to the company via the anonymous phone hotline?
- 9.2. Your very close friend and co-worker confided with you that he has been using the company credit card to pay for his family dinner whenever they eat out. You are the only one who knows this. Will you report your friend to the company via the anonymous phone hotline?

APPENDIX C: SUSTAINABILITY CLASS NOTES

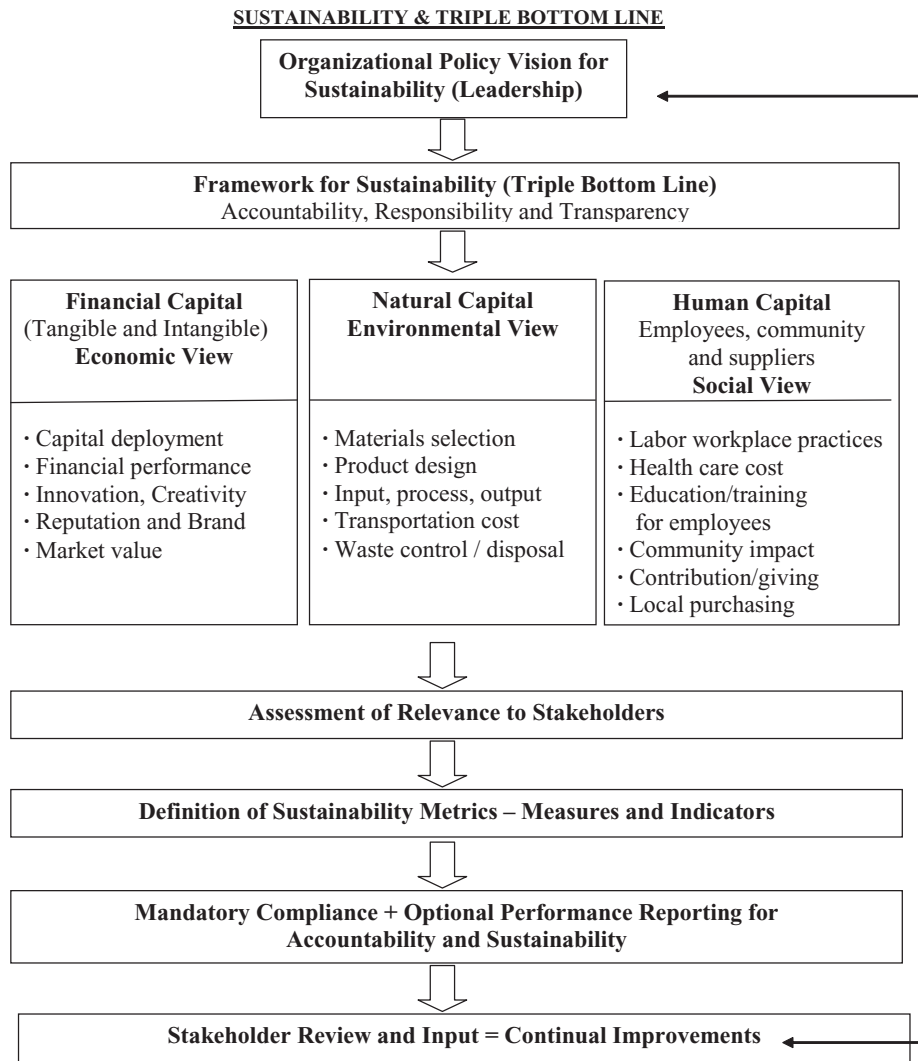
Sustainability is the ability of an organization to understand and incorporate into its operations all factors that:

- impact its value, and
- drive its ability to continue into the future.

Sustainability drives an organization toward:

- maximum efficiency with their resources,
- maximum responsibility for their actions, and
- maximum return on their investment.

Sustainability relies on “**Triple Bottom Line**” which measures an organization's performance on the basis of environmental and social views in addition to an economic/financial view.



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