

PRINCIPLES OF RESPONSIBLE MANAGEMENT EDUCATION

SIP Report 2017-2019

FACULTY OF ECONOMICS AND BUSINESS



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PRINCIPLES OF RESPONSIBLE MANAGEMENT EDUCATION

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MISSION STATEMENT

- **Tradition:** Having our origins as one of Germany's first economics faculties, today we are among the largest schools in the country, integrating the complete spectrum of Business Administration and Political Economics. At the same time, we consider ourselves to be an integral part of Goethe University, a citizens' university operated as a foundation under public law.
- **Leading-edge research:** Our faculty, comprising around 250 academics, delivers internationally recognized research at the highest level – research which is characterized by independence and diversity. Our commitment to supporting and developing the next generation of academics is targeted at leading-edge research, as is our appointment of new professorial staff.
- **Excellence in study programs:** With diverse programs of study, we prepare, using modern, cosmopolitan formats, some 5,000 students for international careers. The focus here is on sharing research-oriented methodological expertise and application-oriented knowledge, empowered by proximity to real-world practice. Our campus, one of the most attractive in Europe, offers a pleasant learning atmosphere.
- **Excellence through interaction:** With our research and teaching, we equip our students with the skills and resources to solve important societal problems. We seek open, result-driven interaction and discourse with the political and economic establishment and with the broader community. An international approach to research and teaching is a central objective of our faculty. Accordingly, we pursue thriving and interactive relationships with our partners around the world.

LETTER FROM THE DEAN



As an institution of higher education involved in Principles for Responsible Management Education since 2009, Goethe University's Faculty of Economics and Business is pleased to reaffirm our support of the Principles.

Business ethics has become an integral part of our undergraduate curriculum in 2006. While it started as an interdisciplinary lecture with

different speakers from different faculties, it has been developed into a coherent lecture covering topical dilemmas, such as morality and profitability, as well as welfare economics and corporate social responsibility. Nowadays, ethics courses are core of to all graduate, postgraduate and executive programs and we can rightfully claim that every graduate has been subject to discussions of ethics, responsibility, and sustainability.

In conjunction with a solid theoretical basis about ethical decision-making, various initiatives of the Center for Business Ethics (CBE) and our faculty have integrated more and more real world problems into their courses. An outstanding example is a recently completed undergraduate project in which students were developing strategies to overcome the lack of access to clean water in developing countries with researchers and representatives of NGOs and Nestlé Waters. Furthermore, outside the course room, several student's initiatives engage in social activities solving economic and ecologic problems simultaneously. Linking theory with experiences from external stakeholders has proven to be an important step towards a more holistic integration of ethics into our programs.

Apart from these highlights, the following report provides an overview of our ongoing commitment to responsible management education as a PRME signatory school. In addition, we demonstrate how our faculty incorporate the Principles of Responsible Management Education into their teaching, research and community partnerships. Finally, this report serves as an example how other business schools could adopt and support the Principles.

Raimond Maurer

Dean, Faculty of Economics and Business

ABOUT THE CENTER FOR BUSINESS ETHICS

Starting in the 2000s, we have developed and brought further our own approach according to which ethics and economics are entirely complementary and not in real conflict with each other. Economics is seen and taught as strategic reasoning to pursue whatever goal one has in mind and that, on top of this, market economies fulfil an important ethical goals, in particular when it comes to solidarity beyond the limits of sympathy, because this is what (well-functioning) markets bring about.



Thus, our vision is that economics does not simply have to be supplemented by ethics, but that the latter has to be fundamentally built into economics above and beyond the ethical aspects that market economies naturally imply – an understanding we transmit to our students, to companies and organizations, and to the general public.

ABOUT GERHARD MINNAMEIER

Gerhard Minnameier is a full professor at Goethe University and has been head of the Center for Business Ethics since 2011. The center provides a permanent home for business ethics at our school. The center employs two research and teaching assistants and six adjunct faculty with outstanding contributions business ethics research and practice. Together, the team provides both basic and advanced business ethics and sustainability courses for undergraduate and graduate students.

In theory and in our academic work this done by the reconstruction of different forms of morality in terms of institutions. In this sense, economic goals and activities do not have to be constrained by morals, but rather are they supported by well-functioning moral regimes as solution-concepts for so-called mixed-motive games, e.g. social dilemmas of the type of the prisoners' dilemma.

Furthermore, we are also concerned about how ethics and economics are related in the wider context and what remains as ethics that cannot be economically internalized (like theories of justice). Here, we are for instance interested in the intersection between welfare economics and theories of justice.

Currently, we implement some of this fundamental theoretical work into economic experiments, in particular with respect to economic games enhanced by tools for moral communication and with respect to distributional preferences in utilitarian framework.

Our research has important implications for business economics and society in the sense that it concerns real and possible ethical contributions, problems and their solutions. We try to point this out in our teaching as well as discourse with stakeholders inside and outside academia.



HIGHLIGHT #1: THE CLEAN WATER PROJECT

In order to link the discussion of ethical dilemmas with real world problems, the Center for Business Ethics has launched a joint project engaging students with researchers, NGOs, and private enterprises.

In 2019, we included a special topic that ran through the course as a paradigmatic example and a field where students with special interests could be deeply involved. The topic of the last summer term was “water”, i.e. the lack of secure water resources for many people, the lack of water in general in specific regions. The problem of excessive direct and indirect water consumption and the question of how business and societies in general can promote the “human right to water”. Here we – and the students – worked together with multiple stakeholders (the Institute of Hydrology of our university, the German Institute for International Collaboration, various NGOs with a focus on water, and Nestlé Waters). We organized two special events – one to get informed on various aspects of the problem, and one where students could present additional work they have done in relation to four special cases – that made real ethical and related economic problems salient und transparent. Our undergraduate students showed their strong interest into these topics and enjoyed the real-life feeling of how we treated the issue.

In the following semesters, we will extend our focus on water, build on what has been achieved and documented so far, and cooperate further with the above-mentioned stakeholders.

HIGHLIGHT #2: BEING RESPONSIBLE MANAGERS

A recently initiated undergraduate course can serve as another example of the difficulties of aligning ethical decision-making and business reality. As part of the seminar, students were assuming the role of managers of a private firm in a business simulation. In a competitive environment, five teams of up to five students had to make complex decisions in the areas of procurement & logistics, human resource management, production, research and development, and finance.



As part of an initial session, all teams had to present their firm's mission and all firms highlighted their aspirations to improve products and production processes to meet high environmental standards and to respect their employees. In the course of the seminar and with increasing market and environmental pressure, students had to make tough decisions balancing

their initial ethical goals with business reality. Decisions to cut costs in areas responsible for "green" or "humane" production have caused heated debates within the groups, especially if corporate survival is at stake.

In their seminar theses, students had to discuss their decisions while focusing on how the firm contributed to the realization of the 2030 Sustainable Development Goals (SDGs). Students' feedback revealed their learning from painful trade-offs and the public demand to report on topics such as corporate social responsibility and issues of sustainability. Right now, we are planning to offer the course again, potentially with an external partner sharing their views on ethics in business.

HIGHLIGHT #3: GREEN GRUBS



Population growth and an increasing demand for food are fundamental threats for humans, in particular in developing countries. Moreover, the food industry is an important emitter of carbon dioxide and responsible for as over-fertilization of soil and water. To address this problem, the Frankfurt branch of the international student initiative Enactus has developed an innovative incubator to breed high protein grubs (*hermetia illucens*) that can be feed with organic waste. These grubs can serve as an ecological alternative to soy and fishmeal, commonly used in food production to feed cattle. The usage of soy and fishmeal contributes to rain forest clearing and overfishing of oceans.

The Green Grubs Initiative is an outstanding example of how our students not only observe ecological problems but show engagement and innovative capacity to address them. As a result, Enactus has been elected as the best student initiative in 2018 and have been awarded with the Bruno H. Schubert Award.



HIGHLIGHT #4: BUSINESS PLAN FOR SUSTAINABLE FOOD



180 Degrees is a student consulting organization founded in 2015 by the aid of the Center for Business Ethics. The initiative provides consulting services at low or no cost for non-profit or socially responsible organizations to address challenges like market entry, product development or financial planning. Together with a dense network of alumni mentoring the students, the initiative enables enterprises and organizations to realize their positive impact on society and the environment while reconciling economic thinking and ethical behavior.

As part of an exemplary project, 180 Degrees provided consulting services for TABLE FOR TWO, an initiative offering healthy food in menses and cafeterias in schools, firms, and other institutions. In addition, 20 cents of each meal are donated to offer healthy lunch for children in East Africa and Southeast Asia. 180 Degrees helped the non-profit organization to gain foothold in the German market by conducting an analysis of potential customers and designing a market entry strategy.

A second example is 180 Degrees' support for ShoutOutLoud, a non-profit organization promoting sustainability in various projects. In order to reduce food waste, in particular organic food, ShoutOutLoud initiated a food truck to offer meals made of ingredients that would have been disposed of otherwise. Our students helped to make their vision come true, by developing a business and financial plan as well as creating a highly successful communication and crowdfunding campaign. As a result, the "Waste Kitchen – Best Kitchen" food truck is now attending dozens of food festivals per year, providing food based on a pay-what-you-want pricing strategy.



PRINCIPLES FOR RESPONSIBLE MANAGEMENT EDUCATION

Designed by an international task force of sixty business school and educational institutions representatives, the six Principles of Responsible Management call for a new culture in business education. Business schools should equip their students and graduates with the required skills and knowledge to become tomorrow's ethical leaders. In line with the UN Global Compact principles, business education should include topics such as responsibility and sustainability in the school's curriculum. Goethe University, therefore, embraces the following six PRME principles:

Principle 1 | Purpose: We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.

Principle 2 | Values: We will incorporate into our academic activities, curricula, and organizational practices the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.

Principle 3 | Method: We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.

Principle 4 | Research: We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.

Principle 5 | Partnership: We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.

Principle 6 | Dialogue: We will facilitate and support dialog and debate among educators, students, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

PRINCIPLE 1 | PURPOSE



Responsible management education has to reconcile economic considerations with a commitment to sustainability and individual moral orientations. In principle, this requirement is already included in the very definition of sustainability as it is based on the triple bottom line of social, ecological, and economic aims and responsibilities. However, business education in particular has to focus on how social and ecological aims can be achieved while furthering the firm's flourishing, in line with challenging different economic aims and constraints. After all, economic processes in a market economy are not only meant to maximize individual utilities at an aggregate level, but include processing values in society and, indeed, the global world. Therefore, it has to be acknowledged that economic processes and outcomes have an important inherent ethical quality. As a consequence, the very notion of corporate social responsibility is difficult to determine when it is to be made concrete and needs to be embedded in a broader ethical and economic context (in terms of philosophical ethics, institutional and constitutional economics).

According to this general outlook, our main aims with respect to responsible management education are the following:

- **Highlighting ethical problems and their economic significance:** We raise awareness of ethical problems, such as unequal distribution of wealth and income, poverty, life expectancy and infant mortality, white-collar crime and corruption, depletion of natural resources, customer protection, and so forth.
- **Analyzing economic processes as both causes and cures.** Many believe that greed, lack of moderation and the ruthless and reckless behavior of business people are the heart of ethical problems. Although this may be true in some cases and to some extent, people's striving and economic creativity is also the source of overcoming such problems, inventing green products and clean production technologies, establishing fair and fertile industrial relations, reducing moral hazards and, last but not least, taking corporate social responsibility and making it economically profitable.
- **Pointing to the interdependence of ethics and economics.** Instead of viewing business ethics as an oxymoron (an inherently paradoxical concept), we emphasize that, in fact, ethics and economics are just two sides of the same coin.

PRINCIPLE 2 | VALUES



The Global Compact covers four main areas that we think are of vital importance for economic, social and ecological development:

- Respecting and strengthening human rights
- Furthering humane industrial relations
- Protecting the natural environment
- Curbing and containing corruption and white-collar crime

These basic ethical issues should call for our attention and drive our creativity. There is an almost unanimous agreement on the relevance and importance of these values. However, when they conflict with other values, especially those in connection with concrete entrepreneurial objectives, they may be difficult to uphold. The main question is, therefore, how we can support these values in business environments. One important aspect is to see such conflicts as chances and resources for developments in business, because meeting these challenges means creating value also in the economic sense. For instance, ethical work organization can be economically efficient, especially if employees have to take responsibility and have to be committed to what they do. Another important aspect is that firms have to engage in policy-making, especially on a multinational level, where the capabilities of local governments are very restricted. These regulatory responsibilities have to be highlighted, and firms have to take care to work out what kind of regulation is in their long-term interest. Lobbying to ward off sensible regulation is a strategy that belongs to the past; the future consists in lobbying for the establishment of sensible regulation to guarantee the flourishing of markets and the creation of value.

We therefore incorporate discussions about the following topics into the main areas of economic and business studies:

- Management Ethics (Personal Responsibility, Principal-Agent-Problems, Social Downsizing, Principles for Just Evaluation of Performance)
- Organizational ethics and CSR as determinants and goals of economic success
- Institutional Economics and Order Ethics
- Corporate Governance and Corporate Citizenship
- Sustainability
- Systemic Risks in Financial Markets
- Strategies of Compensation
- Social Preferences
- Consumer Relationship and Ethical Advertising

PRINCIPLE 3 | METHOD



Back in 2006, when we first introduced business ethics into our program, we have developed a joint understanding of business ethics at our school. As depicted in Figure 1, our taxonomy covers both, the more theoretical and the more practical parts of business ethics, which incorporates systematic and historical developments and strengthens our capability for interdisciplinary affiliation. The first aspect concentrates on the potentialities and limits for business ethics itself. The second aspect is concerned with the question of implementation of the principles and norms discussed in the former realm and distinguishes between a micro- and macro perspective. We therefore provide a functional framework to elaborate a comprehensive insight into the interrelation and application of the topics of business ethics.

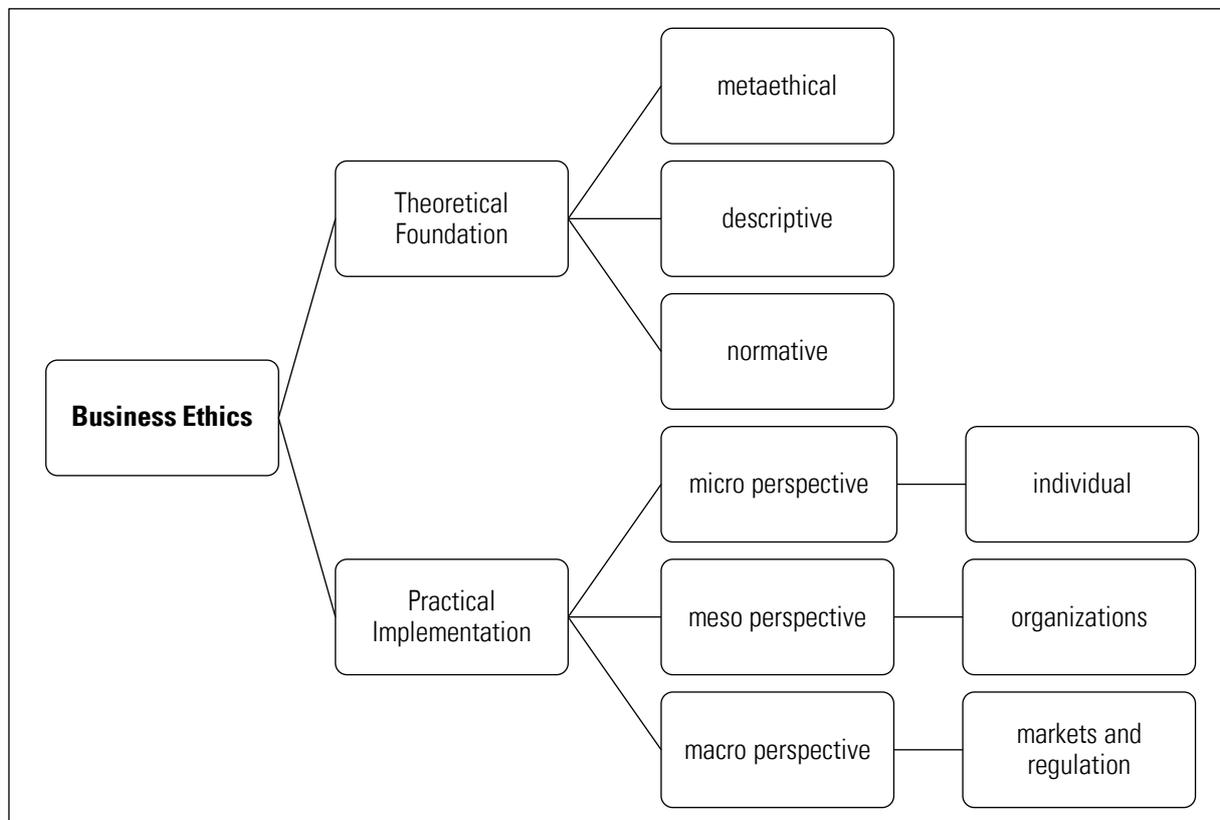


Figure 1: Taxonomy of Topics of Business Ethics

Starting from our undergraduate programs, business ethics has become an integral part of all our programs. The main course, which is compulsory for all our students in the bachelor programs, is the module “Business Ethics” that consists of a lecture, class and a mentorship.

The lecture covers the following issues:

- Morality and Profit: On the Relation of Economics and Ethics
- Corporate Social Responsibility
- The Business Case for CSR
- Welfare Economics and Ethics
- Theories of Business Ethics
- Morality and Institutions (Ordonomics)
- Public Goods as a Problem for Economics and Ethics
- Morality and Rationality I: Preferences and Restrictions
- Morality and Rationality II: The Game-Theoretic View of Morality
- Ethics and Economics as Elements of Social Science as a Whole

In addition to the lecture, students discuss controversial issues in smaller mentoring groups based on case studies and further readings. These discussions help students for both exam preparation and real world discussions.

Turning to the master’s programs, the Center for Business Ethics offers courses in ethics that are mandatory for students of business administration or international economics, or optional in the others. Here, students can choose from different topics (as also in the past). As new courses we have included “Markets and Morality – Economics and Ethics”, which is based on seminal and current literature on the relations between these fields, and “Compliance Management and Economics”, which concentrates on inefficiencies of unethical behavior in organizations and how these problems can be solved.

Apart from our modules focusing explicitly on business ethics, many of our courses in economics and business administration relate to ethically relevant issues. The number of these courses has increased over time, displayed in Table 1. This indicates that business ethics are not only covered in respectively themed course but have trickled down into applied courses like “Ethics in Finance” or “Historical and Normative Foundations of Economics”.

Table 1: Additional Courses with Addressing Ethical Issues

Semester	Courses	BA	MA	Ph.D.	MBA
Summer 2017	14	5	7	2	0
Winter 2017	18	4	7	0	7
Summer 2018	26	6	10	3	7
Winter 2018	19	4	7	1	7
Summer 2019	24	7	9	1	7

BA = bachelors programs, MA = master’s programs, Ph.D. = postgraduate programs, MBA = executive education programs.

Please note: Ph.D. intake only in winter; number of MBA programs has increased from one to three since 2017.

PRINCIPLE 4 | RESEARCH



According to our systematic approach as mentioned above, we conceive conceptual and empirical research as complementary. We therefore encourage any research that advances our understanding of this interrelation.

Our special concern focuses on the connection between behavioral business ethics and the development of suitable institutions (in the sense of institutional economics). We concentrate, firstly, on the exploration of individual morality in use of the methods of behavioral economics to find out, why people behave the way they do and how their behavioral orientations can be developed. Secondly, we aim at developing regulations tailored to individual orientations as consumers and citizens, but also as members of organizations. Thirdly, we have achieved a theoretical integration of morality into economics from rational-choice theoretical view, with respect to both decision theory (preferences and restrictions) and game theory (moral rules as institutions). Based on this approach we have already done empirical research and are currently working on a larger research agenda. Furthermore, we are going to organize a conference on moral education with a special focus on business and the agency of professionals.

Based on this research we currently run experiments to find out how morality functions from a game-theoretic point of view and how it can be stabilized (or destabilized). Other research focuses on how to extend the business case for CSR to cases where institutions have to be brought about and where companies can (or have to) collaborate with governments and stakeholders. Yet another topic focuses on the boundary between welfare economics and ethics and the possibility to re-cardinals utility.

PRINCIPLE 5 | PARTNERSHIP



Currently, there is no well-structured partnership program for the special purpose of principle 5 right now, but we are going to prepare one under the leadership of the Center for Business Ethics. This program will interact with managers from different industries who especially are responsible for CSR strategies in their business corporation. They will be invited to report on a currently pressing, 'real world' challenge they face in a two-day workshop. Afterwards, qualified students build teams of business consultants to elaborate and solve these challenges under the accompanying leadership of the executive manager of the corporation. Together they explore jointly effective approaches and reach for the possibility of direct implementation. In the last step of the program, the teams present their results to an independent jury and the public, who values the most innovative solution.

The benefit will be threefold. First students get motivated by real world problems to deepen their knowledge, train their capabilities and to get involved in social and environmental responsibilities. Business corporations will receive well-designed solutions for their challenges with a minimum of effort, extend their networks across different branches and show their care publicly. Researchers involved in this partnership program will transfer their insights back into the classrooms and bridge the gap from theory to practice more easily.

PRINCIPLE 6 | DIALOGUE



Needless to say, that we provide access to the most relevant journals. Furthermore, we support associated initiatives that in turn provide different events closely related to the field of business ethics. We take part in discussions and meetings, participate in research initiatives, act as coaches to support student initiatives or even host it (180° Consulting). These initiatives cover a broad area of diverse interests of civil society.

- 180 Degrees Consulting Frankfurt am Main e.V
- AIESEC
- Bachelor meets Business
- Enactus
- E! Woche
- Fachschaft WiWi (student representation board)
- Founders Club Frankfurt (Frappe e.V.)
- Goethe Business & Economics Group (Goethe Finance Club)
- GREEN finance consulting e.V.
- impress!
- Kritische Ökonomik
- MTP - Marketing zwischen Theorie und Praxis e.V.
- Rock Your Life
- SSIX Buddy Program
- Tech Academy

These initiatives represent an important pillar in our view of responsible management education and complete our self-conception in this respect.

Furthermore, the CBE participates in public discussions and similar activities, like our engagement in diverse events organized by our alumni in cooperation with student initiatives, we organize a film event on business ethical issues once a year, followed by a discussion between experts on the respective issue. The last one was on Bernard Madoff ("The Wizard of Lies", 2017).

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