

Corporate Governance and Social Responsibility

Universidad Carlos III de Madrid

Teaching semester: Fall 2015

Course Coordinator and Instructor

Course Coordinator and instructor: Itziar Castelló, PhD., Dep. of Business Management
(macastel@emp.uc3m.es)

Course Instructor: Antonio Vazquez Lopez, Dep. of Business Management
(anvazque@emp.uc3m.es)

Prerequisite/progression of the course

The course does not assume the student has any prior knowledge in corporate governance or corporate social responsibility.

Course Introduction

Governance is an issue that has come to the fore recently as a direct cause of problems associated with the financial and economic crisis. Financial arbitrage, short selling's, toxic assets, management excessive bonus, golden parachutes and corruption populate our discussions as signs of malfunctions of the market and lack of corporate social responsibility. Some scholars tend to justify these as moral hazard, but others argue that the overall significance of it is largely understated by the mere observation of managerial misbehavior, which forms the tip of the iceberg. The submerged part of the iceberg is the institutional response in terms of corporate governance and the consequences of economic liberalization and deregulation of industry and business in an increasing globalized world.

At the same time, management and corporations are increasingly facing public demand for new corporate ethos, a stricter compliance with both public and private/civil regulation and the assumption of responsibilities related to emerging social and environmental issues such climate change, labor exploitation, health security, etc.

As a future manager you will be faced with questions such: how do I deal with conflicts of interests amongst different value systems (e.g. economic and social)? What mechanism of corporate control can I use to ensure ethical behavior in shareholders and management? Is my business model ready to deal with pandemics (such obesity, diabetes 2, HIV-AIDS) that will affect many of my employees and customers? What is my responsibility in the problem? How can I ensure my company is able to manage these social challenges? How can I create value out of the management of these social issues. We will explore how corporate governance based on social responsibilities is becoming both a condition for business survival and a potential competitive advantage.

Our course will include the explanation and de-construction of some of the current strategic management theories (such as principal-agent theory and concepts such moral hazard) together with some theories central to the new political view of business in society that we are proposing such business ethics, stakeholder view of the firm, theory of social contract, etc.

This is primarily a discussion based course, where 'real life' case studies are posed to students on complex topics in which students engage first hand in the discussion and debate that they will undoubtedly face as future managers in business.

In this course we are exploring questions mainly through cases and discussion. Therefore your active participation and engagement throughout this course is necessary. We do expect a lively debate in the classroom.

Learning Objectives

At the end of the course, students should be able to:

- Describe, classify, structure, and combine the concepts, theories and methods involved with Corporate Governance and Social Responsibility.
- Identify relevant Corporate Governance issues within the firm and what - YOU as a future manager may face in business-. Be able to apply the concepts, theories, methods of the course to concrete cases and examples.
- Analyze and synthesize concrete problems within current management theories and be able to make a constructive critic of them.

Generally speaking, this course works to develop the reflexive capabilities of students, working to help develop the students' 1) connective thinking 2) critical thinking and 3) awareness utilizing the topics associated with Corporate Governance and Social Responsibility as the basis.

Type of examination and assessment

Students will be assessed on the basis of a continuous evaluation (40% of total grade) and a final written exam (60% of total grade). Continuous evaluation will be based on students' work in groups: presentations and analysis of cases, midterm exam and the final case presentation. The final exam will be written and closed book. The minimum grade to pass the final exam is 4/10. The exam will be multiple choice (about 25-30 questions) and will follow the 0,33 rule (Correct answers +1, incorrect answers - 0.33 and blank answers add 0).

Teaching methods and material

This is primarily a discussion based course, where paradoxical 'real life' case studies are posed to students on complex topics in which students engage first hand in the discussion and debate that they will undoubtedly face as future managers in business. Class time will include lectures and discussions, in which participants will explore theoretical perspectives and apply them to specific case studies. This is a reading- and discussion-intensive course, and we expect students to show up for class prepared to discuss and analyze the assigned materials. The syllabus contains articles and book chapters in English and Spanish. The English texts are the primary sources of the course. The Spanish texts translations or summaries by different authors of main topics of each session. The students can select to read the English or the Spanish texts.

The course contains 14 modules. Each session is divided in one plenary session and one practice sessions in which debates and case studies will be convened. Students will be requested to work individually and in teams in the practice sessions.

Most of the material will be uploaded in Aula Global (AG). The rest of the material will be the students' responsibility to collect it in the library (please check also articles online) or the internet.

This syllabus can be subjected to changes.

Course Content and Reading Assignments

Session 1: Introduction to Corporate Governance and Social Responsibility, week 7 sep

In this session we will provide an introduction to the course as well as to the field of Corporate Governance and Corporate Responsibility (CR) and the conditions in which business operate today. We will reflect about how global business face responsibility for more than just the policies and practices that occur within its own walls. We will talk about the ethical challenges related to varying norms and conditions throughout the world and challenges related to managing value chains that stretch across the world. In this session, we will discuss how globalization is changing the way we do business and we will set the basic questions of the course.

Plenary Session Readings	Practice Session Readings/Exercise
Introduction	Presentation of the course and lecture introduction.

Session 2: Ethical decisions in management, week 14 sep

In this session we will describe the different ethical theories that can help us to understand how business decisions imply ethical challenges. We will apply the ethical theories to different situations and a case study.

Plenary Session Readings	Practice Session Readings/Exercise
Goodpaster, K., & Matthews, J. (1982). Can Corporations Have a Conscience? <i>Harvard Business Review</i> , 4(January - February), 132 - 140. (AG)	Toy War Case (AG)

Session 3: The Corporation and its conflicts of interest, stakeholder theory, week 21 sep

In this session we will introduce the concept of stakeholder, we will analyze what is an ethical managerial decision in the light of stakeholder theory and we will debate about the difference between shareholder maximization vs stakeholder theory.

Plenary Session Readings	Practice Session Readings/Exercise
Freeman, R. E., Harrison, J. S., C., Wicks A., Parmar, B. L., & de Colle, S. eds. (2010) The problem that Stakeholder Theory Tries to Solve in Stakeholder Theory: The State of the Art. Cambridge University Press. Chapter 1. Pages: 2-29. (AG)	In defense of: Friedman vs Davis session discussion. See AG for instructions.
Fernandez-Fernandez, J. L., & Bajo-Sanjuan, A. (2012). La Teoría del Stakeholder o de los Grupos de Interés, pieza clave de la RSE, del éxito empresarial y de la sostenibilidad. <i>AD Research ESIC</i> , 6(6), 130-143. (AG)	M. Friedman, (1970) The social responsibility of business is to increase its profits by New York Times Magazine (AG). Davis, I. (2005) The biggest contract, <i>The Economist</i> , May 26 th (AG)

Session 4: Stakeholders and its management, week 28 sep

In this session we will work with the stakeholder theory and we will learn how to practically apply it to strategic management. We will learn a new approach and tools to strategic management through the stakeholder analysis.

Plenary Session Readings	Practice Session Readings/Exercise
<p>Freeman, R. E., Harrison, J. S., C., Wicks A., Parmar, B. L., & de Colle, S. eds. (2010) The problem that Stakeholder Theory Tries to Solve in Stakeholder Theory: The State of the Art. Cambridge University Press. Chapter 1. Pages: 2-29. (AG)</p> <p>Fernandez-Fernandez, J. L., & Bajo-Sanjuan, A. (2012). La Teoría del Stakeholder o de los Grupos de Interés, pieza clave de la RSE, del éxito empresarial y de la sostenibilidad. <i>AD Research ESIC</i>, 6(6), 130-143. (AG)</p>	<p>Danone case (AG)</p>

Session 5: Shareholder pressures: combining stakeholder and shared value theory, week 5 oct

In this session we will study analyze the power of stakeholders and amongst them shareholder activism, institutional investors and the responsible investment initiatives.

Plenary Session Readings	Practice Session Readings/Exercise
<p>Arjalie`s, D. (2010) A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered. <i>Journal of Business Ethics</i>, 92, 57-78.(AG)</p> <p>Alejos-Góngora, C. L. (2014). La inversión socialmente responsable (ISR): una opción comprometida con el bienestar <i>Cuadernos de la Cátedra "la Caixa" de Responsabilidad Social de la Empresa y Gobierno Corporativo</i>, 22.(AG)</p>	<p>Bloomberg Case (hard copy)</p>

Session 6: Midterm exam week 12 oct

Midterm.

Plenary Session Readings	Practice Session Readings/Exercise
<p>Bank holiday</p>	<p>Midterm exam</p>

Session 7: Exam correction and the challenges of introducing CSR in corporate strategies, week 19 oct

In this session we will go through the exam and correct it. We will also discuss the challenges to introduce CSR in corporate strategies.

Plenary Session Readings	Practice Session Readings/Exercise
Evaluation and move forward Zadek, S. (2004) "The Paths to Corporate Responsibility". Harvard Business Review (December). (AG)	Nike Case (hard copy)

Session 8: Global governance and new governance forms in the networked society, week 26 oct

In this session, we will discuss how corporate governance demands have evolved over time and will reflect about new forms of organizations and governance models in the networked society.

Plenary Session Readings	Practice Session Readings/Exercise
Castells M. (2007). Communication, power and counter-power in the network society. International Journal of Communication 1: 238-66. (AG) Castells, M. Internet y la nueva economía, capítulo 4 (UOC) http://www.uoc.edu/web/cat/articles/castells/castellsmain6.html y (AG)	Nestle Case (hard copy)

Session 9: CSR management and reporting: measures, week 2 nov

In this session, we will introduce an accountability view on sustainability. We will study the concept of triple bottom line and work on measures and codes of conducts to guide sustainability performance.

Plenary Session Readings	Practice Session Readings/Exercise
Slaper, T.F. & Hall, T.J. 2011, "The Triple Bottom Line: What Is It and How Does It Work?", Indiana Business Review, vol. 86, no. 1, pp. 4-8.	KPI of your project. See AG for instructions

Session 10: CSR management and reporting: tools and standards, week 9 nov

In this session, we will work on the Global Reporting Initiative principles and structure

Plenary Session Readings	Practice Session Readings/Exercise

Link to GRI https://www.globalreporting.org	GRI evaluation.
--	-----------------

Session 11: Assurance and the problem of trust, week 16 nov

In this session, we will study the challenges of stakeholder assurance and will discuss about different strategies being developed to generate trust amongst stakeholders.

Plenary Session Readings	Practice Session Readings/Exercise
Assurance Introduction AccountAbility (Ed.). (2003). AA 1000 Assurance Standard. London: AccountAbility. (AG) Moneda-Abadía, J. M. (2007) El Marco de la Información sobre Responsabilidad Social de las Organizaciones. <i>Ekonomiaz, Revista Vasca de Economía</i> , n. 65 (2). Edición electrónica disponible en: http://www1.euskadi.net/ekonomiaz/	GRI reports & Assurance working progress

Session 12: Feedback on cases, 23 nov

In this session, we will provide final feedback on measuring, reporting and assurance for your projects.

Plenary Session Readings	Practice Session Readings/Exercise
Feedback measuring, reporting and assurance	Case Competition

Session 13: Responsible Corporation and wrap up, 30 nov

This is the closing session in which we will reflect about the evolution of corporate governance from a social perspective, its achievements and challenges ahead.

Plenary Session Readings	Practice Session Readings/Exercise
Wrap up	Case competition

Session 14: Responsible Corporation and wrap up, 7 dec

Plenary Session Readings	Practice Session Readings/Exercise
National bank holiday	Exam preparation

Session 15: Responsible Corporation and wrap up, 14 dec

Plenary Session Readings	Practice Session Readings/Exercise
Exam preparation	No class

Complementary readings:

Castelló, I., & Lozano, J.M. (2009). From Risk Management to Citizenship Corporate Social Responsibility: Analysis of Strategic Drivers of Change Corporate Governance, 9(4), 374-385.

Castelló, I., Morsing, M., & Schultz, F.(2013). Communicative Dynamics and the Polyphony of Corporate Social Responsibility in the Network Society. Journal of Business Ethics, 118(4): 683-694.

Ghoshal, S. (2005) Bad Management Theories Are Destroying Good Management Practices. Academy of Management Learning & Education, vol. 4/1: 75-91. (AG)

Scherer, A. G., & Palazzo, G. (2011). The New Political Role of Business in a Globalized World - A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy. Journal of Management Studies, 48(4), 889-931.

Zadek, S. (2010). 'Emerging Nations and Sustainability. Chimera or Leadership?'. notizie di POLITEIA, XXVI, 98, 153-167.

Literature in Spanish:

Lozano, J.M. (2006). De la responsabilidad social de la empresa (RSE) a la empresa responsable y sostenible (ERS). Papeles de Economía Española, nº 108(ISSN: 0210-9107), 40-62.

Olcense Santonja, A. (2005) Teoría y Práctica del Buen Gobierno Corporativo. Marcial Pons Eds.

Perez-Carrillo, E.F. (2009) Gobierno corporativo y responsabilidad social de las empresas. Marcial Pons Eds.

Salas, V. (2002) El gobierno de la empresa. Colección Estudios Económicos, n. 29. Caja de Ahorros y Pensiones de Barcelona. Edición electrónica disponible:
http://www.pdf.lacaixa.comunicacions.com/ee/esp/ee29_esp.pdf

Varios autores, (2002) El gobierno de la empresa. Ekonomiaz, Revista Vasca de Economía, n. 50. Edición electrónica disponible en: http://www1.euskadi.net/ekonomiaz/taula1_c.api?IDPUBL=45

Varios autores, (2007) Responsabilidad Social de la Empresa. Más allá de la sabiduría convencional. *Ekonomiaz*, Revista Vasca de Economía, n. 65 (2). Edición electrónica disponible en: <http://www1.euskadi.net/ekonomiaz/>