

: Finance

INTRODUCTION:

With all the recent press about the subprime mortgage crisis, Center for Business Education staff were eager to investigate data from the 2007-2008 *Beyond Grey Pinstripes* survey, to see how Finance is being taught to future business leaders. Revising the April 2006 *Closer Look* on the subject seemed like a natural starting point.

The number of Finance courses reported to address social and environmental impacts increased 50.3% since the 2005-2006 survey. However, the percentage of those courses that are part of the required core curriculum was almost exactly as the same as in the previous survey cycle.¹ This seems to indicate that while business programs are adding elective courses that address social impact management topics, perhaps in part due to added focus on business ethics in the news media and the increased public attention to environmental issues at large, these questions are not being integrated into core classes at a greater rate.

Ethical considerations are still much more popular topics than broader issues about environmental and social impacts in elective Finance courses reviewed. Popular ethical themes in current Finance courses are mostly akin to those identified in the past: differentiating between legal and illegal transactions. Noteworthy exceptions included analyses of executive compensation and cross-cultural sensitivities such as doing business in developing regions. Maybe influenced by the fact that Muhammad Yunus and Grameen Bank won the 2006 Nobel Peace Prize, microfinance was also a relatively frequent topic amongst new elective Finance courses tackling social impact management.

THE BOTTOM LINE:

- What continues to be absent from Finance classes- especially those in the core curriculum- is any analysis of corporate financial decisions on communities and the environment. The dominant focus is on shareholder impact.²
- Student interest in the intersection of Finance and social good is visible: microfinance-specific clubs organized by students are present on a few campuses, including Cornell's Johnson School, Audencia Nantes, and Duke's Fuqua School.
- In our survey, only 1 of 43 required Finance courses took the time to carefully address how social and environmental issues intersect specifically with mainstream, for-profit business.

¹ In 2005-2006, 97 courses were submitted and accepted in *Beyond Grey Pinstripes*, 22 of which were core courses (22.7%); in 2007-2008, 195 courses were submitted and accepted, with 43 being part of a school's core curriculum (22.1%).

² One exception (aside from the many courses highlighted in the coursework section below) is a Finance course titled Problems in Finance currently being developed by Dr. John R. Becker Blease at Washington State University Vancouver that not only covers a traditional slate of topics present in most corporate Finance courses, but also formally introduces students to the stakeholder and shareholder primacy models of the corporate objective functions and demonstrates how understanding each perspective can improve their effectiveness as decision-makers. His work is being supported and sponsored by the [Sloan Corporate Governance and Accountability Project](#) of the Aspen Institute Center for Business Education. Materials related to this project will be posted to Caseplace.org in the coming months.

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A FACULTY POINT OF VIEW:

[David Weil](#) is Professor of Economics and Everett W. Lord Distinguished Faculty Scholar at Boston University's School of Management, as well as the Co-Director and Research Fellow at the Transparency Policy Project at the Taubman Center, Kennedy School of Government. Dr. Weil is on the faculty team of Boston University's joint finance/economics program and teaches the core Managerial Economics course there. He is widely published in fields ranging from public policy analysis and intervention to supply chain restructuring. In 2007, Dr. Weil was chosen by MBA students at Boston University as "Best Overall Professor."

On students' attitudes: I would say there has been, in my opinion, a significant increase in interest among MBAs on a variety of social issues over the last three to four years, particularly in regard to the environment, energy policy, corporate responsibility, and the social impacts of private decisions. I hear it in class discussions and in the discussions that students want to have in and out of class. I think that awareness of the gravity of both environmental and energy issues as well as the scandals of recent years has made business students understand that public issues inevitably spill into private decisions.

[Dennis Zocco](#) is Professor of Finance and Investments at the University of San Diego's School of Business Administration. He is the author of INVESTOR, a comprehensive software system in the investment field, which has been adopted by over three hundred educational institutions worldwide. In 2007, Dr. Zocco received the first annual "Professor of Impact" award on campus, voted by graduating Master's students to the instructor who had the most impact on them during the program.

On recent changes in students' expectations: I have seen a gradual shift over the past five years of University of San Diego MBA students having a greater awareness of environmental and ethical issues. Our finance courses are a good blend of quantitative and qualitative approaches to the field of study, and more of our students are beginning to challenge established quantitative methods, extending their scope to the implications of environmental and ethical considerations in financial decision-making. In anticipation and response to that challenge, our finance professors are devoting more classroom and assignment time to these issues, often related to topics and situations of current media attention.

On core curriculum integration: Building ethical, environmental, and social issues into core courses is somewhat more challenging than into elective courses, but it is incumbent upon the finance faculty to meet this challenge and begin the thinking-process related to these issues early in the curriculum.

EXAMPLES OF UNIVERSITY CENTERS OF INTEREST:

- **Center for the Study of Business and Government**
Baruch College, Zicklin School of Business
<http://zicklin.baruch.cuny.edu/centers/csbg/>
- **Global Capital Markets Center**
Duke University, The Fuqua School of Business
<http://www.law.duke.edu/globalmark/>
- **McGill Finance Research Centre**
McGill University, Desautels Faculty of Management
<http://www.mfrc.mcgill.ca/?section=home>
- **International Center for Finance**
Yale University, School of Management
<http://icf.som.yale.edu/>

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NOTABLE COURSEWORK:

The following course descriptions are drawn exclusively from the 2007-2008 edition of [Beyond Grey Pinstripes](#), a research survey conducted biennially by the Center for Business Education at the Aspen Institute.

- **The University of Michigan, Ross School of Business**
[Finance and the Sustainable Enterprise](#) (Elective Course)
Instructor: Gautam Kaul
“We will explore the financial valuation aspects unique to sustainability issues confronted by businesses. The objective of ‘maximization of shareholder value’ has had remarkable success because it is relatively easy to implement by rational individuals in a well-functioning competitive market. The well-developed fields of economics and finance have provided us with very sophisticated valuation frameworks and techniques that help us determine whether an idea is value-creating or not. This course will begin with the assumption that the frameworks provided by economics and finance can, with appropriate modifications, help us understand and deal with the unique issues faced by a sustainable business. This course will focus on environmental issues. We will address the financial and valuation issues from the perspective of a typical firm now confronting a slew of environmental issues that have real effects. We will critically evaluate the assumptions and institutions necessary to ensure the success of any modern firm in maximizing shareholder without adversely affecting broader economic and societal values. More importantly, we will modify existing economic and financial frameworks to evaluate the effects of emerging regulatory and strategic environmental issues on the value of projects and firms.”

- **Yale University, School of Management**
[Microfinance and Economic Development](#) (Elective Course)
Instructor: Tony Sheldon
“This course will explore the successes and limitations of microfinance as an economic development strategy. The focus will be on the role of microfinance in international poverty alleviation efforts. We will explore the history and evolution of the field, from both a theoretical and practical perspective. While the roles played by various constituencies (e.g., clients, policy makers, donors, investors, etc.) will be examined, emphasis will be on the practitioners’ perspective and the challenges of managing a ‘double bottom line’ institution.”

- **New York University, Stern School of Business**
[Social Venture Capital: Finance with a Double Bottom Line](#) (Elective Course)
Instructor: Kerwin Tesdell
“This course explores a spectrum of financial tools used to create social value. Traditional financial instruments are ultimately judged by their bottom line: the financial returns they produce. This course examines financial instruments designed to produce not only financial returns, but also social returns; these instruments are commonly known as ‘double bottom line’ investments. Such financial instruments exist on a spectrum from grants—where no financial return is contemplated—to socially screened investment portfolios, which many claim produce financial returns that are equal or superior to market returns. In between are program-related investments, community development venture capital investments, and socially motivated loans. Special purpose financial institutions called community development financial institutions have emerged that use a range of investments to achieve social goals; the course will examine the structures and social missions of these institutions. Finally the course will consider the challenges of quantifying social returns produced by double bottom line investments.”

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- **University of California, Davis, Graduate School of Management**
[Managing a Socially Responsible Investment Fund](#) (Elective Course)

Instructor: Brad Barber

“Throughout the academic year, students work as a team to organize, develop, and manage a socially responsible investment fund responsible for managing (a fictional) portfolio of \$1 million. Students will be responsible for multiple tasks involved in the development of the fund, which must be completed by June. The major tasks include: developing and articulating screening criteria; creating analyst reports for existing fund holdings and potential replacement firms; constructing a well-diversified portfolio from selected stocks; identifying appropriate performance evaluation tools; developing a fund prospectus.”

- **Columbia University, Graduate School of Business**
[Finance and Sustainability](#) (Elective Course)

Instructor: Bruce Usher

“The primary objective of financial professionals is to provide a valuable service that earns a profit for the practitioner. Fortunately the same financial services that generate a profit can simultaneously be used to create sustainable value for society. In recent years, for-profit financial services have been used to improve the environment, reduce poverty, increase corporate governance, and develop social entrepreneurs. The core financial skills that are necessary to create these social changes are identical to the financial skills required to earn a profit in more traditional financial services, but the application of those skills is a new and challenging opportunity. This course will explore the theories and practical applications, which financial professionals can leverage to simultaneously earn a profit and have a positive impact on society. The specific areas we will examine are: capital markets (to address environmental issues including emissions, climate change, and renewable energy); investment management (to improve corporate governance in public companies and to develop socially responsible entrepreneurs); and commercial banking (to reduce poverty and create sustainable development).”

For additional courses on related subjects, or to download select syllabi, search thousands of descriptions at [Beyond Grey Pinstripes](#).



NOTABLE TEACHING MATERIALS:

Materials referenced are meant to represent the diversity of related teaching resources available at Caseplace.org. Most are available as free downloads to registered faculty members.

- **Case Study:** [Opportunity International](#)

Source: Harvard Business School Publishing

After a “first career” in business, HBS graduate Christopher Crane becomes CEO of a worldwide microfinance network. The organization's twin challenges are: 1) developing metrics to give it an accurate picture of its situation and impacts, and 2) generating rapid growth. Students learn how non-financial metrics are integral to Opportunity International's mission but are difficult to define and measure; tailored metrics are necessary for demonstrating success to donors and for strategic planning.

- **Article:** [“Can Rural Finance Take Root in China? About 750 Million People Hope So”](#)

Source: Knowledge @ Wharton, August 2007

The Agricultural Bank of China's showcase microfinance project -- its only such project -- is based in a small but tidy office in a dry mountain region in the country's far west. Founded in the early 1990s with Australian development money, the program -- which doles out small loans of less than \$250 each -- is directed at three of the poorest counties in China. It has been a boon to local farmers who

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have used the money to buy chickens and seeds, and even open small stores that sell everyday items. But is it profitable? Not really, acknowledges Liang Fuxian, the director of the program, which is based in Qinghai Province. He says that in recent years, the interest has barely covered expenses. "Costs are high," he notes, adding that because the handful of loan officers the bank employs must trek to the most remote parts of the area to collect payments, the debts are often not repaid.

- **Case Study:** [The Fall of D'Long](#)

Source: ICFAI Center for Management Research

The case discusses the rise and fall of China based D'Long Group. The group was started by Tang brothers in Xinjiang as a small facility to develop and print photographs. D'Long grew by acquiring companies involved in different businesses ranging from tomato paste to automobile parts. Since there were limited options available to obtain finance for its rapidly growing businesses in China, D'Long began acquiring shares in the state-owned enterprises. This case is structured to enable students to: (1) examine the reasons for the initial success of D'Long; (2) critically evaluate the factors that led to the collapse of D'Long; (3) analyse the methods used by private companies to obtain funds for financing business in China; and (4) gain insights in the functioning of the banking industry and capital markets in China.

ONGOING QUESTIONS:

- Will the continued analysis of the sub-prime mortgage crisis prompt Finance faculty to introduce questions of how financial decisions and instruments affect stakeholders?
- As some schools dramatically revise their curricular offerings, will we begin to see evidence that topics more commonly addresses in elective will seep into core courses?
- Do MBA student pedagogical expectations and demands actually influence curriculum change in some substantial way?

RESOURCES:

[BeyondGreyPinstripes.org](#) – World's biggest MBA database, including detailed records on thousands of courses and information on extracurriculars, university centers, and more, for 128 schools on six continents.

[CasePlace.org](#) – A free and practical on-line resource for up-to-date case studies, syllabi, and innovative teaching materials on business and sustainability. Created for the educators who will shape our next generation of business leaders!

A Closer Look is a regular series of briefing papers on topical issues in MBA education, based on the research and programs of the Aspen Institute. The [Aspen Institute Business and Society Program](#) works with senior corporate executives and MBA educators to prepare business leaders who will effectively manage the financial, social, and environmental impacts of the private sector.

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