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Sustainability in research and teaching - The UN Global Compact's "Principles for Responsible Management Education"

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Ingo Pies und Stefan Hielscher

Sustainability in Research and Teaching – The UN Global Compact’s “Principles for Responsible Management Education”

Diskussionspapier Nr. 2007-24

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Sustainability in Research and Teaching – The UN Global Compact’s “Principles for Responsible Management Education”

by Ingo Pies and Stefan Hielscher

At the start of 2007, the newly founded academic network of the United Nations Global Compact (GC) assigned an international task force to work out guidelines for integrating the GC principles into university management education in business ethics. The results of this task force were given to United Nations Secretary-General Ban Ki-moon at the GC Leaders Summit in Geneva in July 2007. He then called on the world's business schools to endorse the GC's “Principles for Responsible Management Education” (PRME) and direct their research and teaching so that corporate social responsibility gains a greater, even systematic status.

<i>Principles</i>	<i>Content</i>
<i>Principle 1</i>	<i>Purpose:</i> 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.
<i>Principle 2</i>	<i>Values:</i> We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.
<i>Principle 3</i>	<i>Method:</i> We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.
<i>Principle 4</i>	<i>Research:</i> 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.
<i>Principle 5</i>	<i>Partnership:</i> 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.
<i>Principle 6</i>	<i>Dialogue:</i> We will facilitate and support dialogue and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

Figure 1: The United Nations Global Compact's „Principles for Responsible Management Education“

The PRME are a reaction to the general public expectation that companies should contribute more to solving (global) social problems. For companies to successfully meet these expectations, managers must acquire new competencies through their education. For that reason, universities are requested to change and develop their curricula accordingly.

We believe that traditional business education is too strongly tailored for exercising maximisation techniques and too little for shaping social processes. Optimising the moves within the game is at the forefront, but not shaping the rules of the game. This,

however, demands skills in social structure and semantics. With regard to the social structure, executives must at least learn the basics of a rational-choice based analysis of the incentive effects of institutional arrangements. And with regard to semantics, they must become familiar with the central concepts, and the (normative) thought categories on which they are based, with which social conflicts in society are perceived, described and evaluated.

We develop our argument in three steps. The first step sketches the changed social problem situation (theses 1-3). The second step specifies what key competencies executives should have (thesis 4). The third step provides recommendations for reforming research and teaching in the spirit of the PRME (theses 5-10).

((1)) In Germany, the market economy, corporations, managers and the profit principle are currently experiencing a wide-ranging crisis of acceptance. Empirical investigations show in a dramatic way that people's trust in the market system, the corporate actors of the market economy, their executives and the action-directing principle of business management in markets has reached historic lows along a broad front.

((2)) This crisis of acceptance is no accident: It has structural reasons. First, social expectations regarding companies have increased. Customers, employees, civil society organisations, the democratic public and other stakeholders are making ever higher claims. Second, companies operate – especially in the global context – under incomplete frameworks of regulations with numerous gaps in the rules. This often leads to unsatisfactory results. Third, companies suffer under communication deficits and a lack of argumentative competencies. They have great difficulty in convincingly justifying their actions in public. Obviously, many managers find themselves in an argumentation crisis.

((3)) Social acceptance is becoming an increasingly scarce factor for companies, which makes independent management measures necessary. These must be at least as professionally directed as the actions in the companies' traditional core businesses. For that reason, the demand for managers will change qualitatively. As a result, universities should prepare to set new accents in management education.

((4)) Through their education, managers should be placed in a position to react appropriately to the crisis of acceptance. To this end, universities should impart four strategic competencies in their management education.

(a) Reception competence: Managers must learn to enter into an exchange of ideas with all actors relevant for the value creation process – investors, employees, customers and suppliers, but also critical (civil) society actors – to make the organisation sensitive to different views and concerns. In this way, a company can establish an early warning system (risk management), build up trust (reputation capital) and acquire a “license to sit at the table”, which is extremely valuable for further problem-solving.

(b) Governance competence: Managers must learn to overcome problem situations through an appropriate (re-)formulation of incentives – whether the company does this alone (individual commitment) or in partnership with other actors (collective commitment). The goal of governance competence is institutional establishment of productive value-creation games. Governance generates functionality.

(c) Orientation competence: Managers must learn to specify the content of the profit principle as a formal goal of the company in such a way that the company develops its own self-image – its own identity – as an organisation. The company needs an inner

compass, so to speak, with which it can navigate through the events in the market. This compass must be oriented on the potential for value creation, for which knowledge of social structures is essential. As soon as management has learned to identify problem situations as social dilemmas, the organisation can reach – under the maxim of its profit motive – an understanding with the stakeholders about common goals (and projects) for mutual advantage.

(d) Communication competence: Managers must learn to represent the interests of the company and convincingly argue for them on behalf of the organisation. Here it is essential to translate functionality in such a way that it is also understood by those who by nature “speak another language”. Communication is based on understanding. It is only on this basis that the company can explore the potential for win-win solutions with its stakeholders. Communication competence also means that executives can formulate arguments that connect with the moral self-image of citizens. This includes being able to give valid information about

- the moral quality of competitive market economies,
- the company’s social status as an organisation and its corporate responsibility to solve problems through innovative value creation,
- the task of managers to activate the company as a societal actor (corporate citizen) to take on responsibility in social rule-seeking discourses and rule-setting processes,
- the functional and simultaneously moral justification of the profit principle due to its incentive effects in market competition and the resulting advantages for the whole society.

((5)) Education in these competencies should be integrated into the bachelor and master programs, not with a separate degree for “ethicists”, but as a possible major within classical management education. Unlike in the USA (with its Sentencing Guidelines or the Sarbanes-Oxley Act), German legislation cannot be expected to create massive incentives for a new profession of “ethics officers”. Therefore, in Germany business ethics must choose the path to strengthen general managers’ education in the area of “strategic management”.

((6)) The organisational implementation of business ethics education in social-structural and semantic competencies requires a corresponding infrastructure of instructors, junior and senior professors. This infrastructure is necessary so that change agents in the faculties can work to bring business ethics content into the core subjects and the canon of traditional management education.

((7)) Competence development in the spectrum of social structure and semantics requires new teaching forms. Business ethics instructional formats must be interactive and interdisciplinary. Co-teaching and group work, including role-plays, strategy simulations and practical projects, are advantageous here to help students see with their own eyes how conflicts are structured and how consensual conflict solutions can be thought up and implemented.

((8)) The traditional division of labour between business administration and economics is starting to crumble. However, a rational-choice based business ethics can help overcome the gap. In general, students who see themselves as future managers will develop an interest in business ethics courses to gain a better understanding of markets and competition, corporate action and the profit principle. Since it is to be expected that

the increasingly mathematics-oriented field of economics will be less and less able to meet this need for imparting a fundamental understanding of the working properties of business in competitive markets, business ethics could (and should) fill the resulting vacuum.

((9)) If one takes the idea of new governance processes seriously, a modern (global) society needs to manage social dilemma structures – a process to which numerous actors, especially from politics and civil society, have to make a constructive contribution. Accordingly, the task is not only to educate corporate executives, but more broadly “social entrepreneurs”. This suggests that lessons in business and economic ethics should also be made available to students from other fields (law, political science, sociology, etc.). At any rate, it would not hurt if future managers of government agencies, political parties, but also of citizens’ action groups and the growing area of the third sector were equipped with some basic knowledge of how a market economy and companies work.

((10)) Implementation of the PRME does not mean that business schools or economics faculties have to design new, glossy brochures. It is also not an end in itself. Rather, a sustained implementation of the PRME in research and teaching is based on the changed societal environment for corporate action. The PRME are an expedient heuristic for sustainability and corporate citizenship – more precisely: for sustainability through corporate citizenship.

Diskussionspapiere¹

- | | |
|-------------|---|
| Nr. 2007-24 | Ingo Pies, Stefan Hielscher
Sustainability in Research and Teaching – The UN Global Compact's „Principles for Responsible Management Education“ |
| Nr. 2007-23 | Ingo Pies
Globalisierung und Soziale Marktwirtschaft: Eine wirtschaftsethische Perspektive |
| Nr. 2007-22 | Hans-Ulrich Zabel
Nachhaltigkeit mit ethischen Herausforderungen |
| Nr. 2007-21 | Klaus Beckmann
Jon Elster und das Zeitinkonsistenz-Problem |
| Nr. 2007-20 | Ingo Pies, Stefan Hielscher
Nachhaltigkeit in Forschung und Lehre – Die „Principles for Responsible Management Education“ des UN Global Compact |
| Nr. 2007-19 | Claus Offe
Die genetische Entschlüsselung der politischen Ordnung
Jon Elster über Selbstbindung und die Verfassungsprozesse in Osteuropa |
| Nr. 2007-18 | Ingo Pies, Jörg Viebranz
Jon Elster und das Problem lokaler Gerechtigkeit |
| Nr. 2007-17 | Ingo Pies
Theoretische Grundlagen demokratischer Wirtschafts- und Gesellschaftspolitik – Der Beitrag von Jon Elster. |
| Nr. 2007-16 | Ingo Pies, Markus Beckmann, Stefan Hielscher
Mind the Gap! – Ordonomische Überlegungen zur Sozialstruktur und Semantik moderner Governance |
| Nr. 2007-15 | Ingo Pies, Stefan Hielscher, Markus Beckmann
Theorie für die Praxis – Zehn Thesen zur wirtschafts- und unternehmensexistischen Ausbildung von Führungskräften |
| Nr. 2007-14 | Sabine Campe, Lothar Rieth
Wie können Corporate Citizens im Global Compact voneinander lernen? Bedingungen, Hemmnisse und Bewertungskriterien |
| Nr. 2007-13 | Ingo Pies, Stefan Hielscher, Markus Beckmann
Wie können Corporate Citizens voneinander lernen? Anregungen für den Global Compact der Vereinten Nationen |
| Nr. 2007-12 | Ingo Pies
Unternehmensexistik in der Marktwirtschaft: Moral als Produktionsfaktor |
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Fragen und Antworten – Wie reagiert eine ökonomische Theorie der Moral auf die „Frequently Asked Questions“ zur Wirtschafts- und Unternehmensexistik? |
| Nr. 2007-10 | Johanna Brinkmann-Braun, Ingo Pies
The Global Compact's Contribution to Global Governance Revisited |
| Nr. 2007-9 | Ingo Pies, Stefan Hielscher
The International Provision of Pharmaceuticals: A Comparison of Two Alternative Theoretical Strategies for Global Ethics |
| Nr. 2007-8 | Markus Beckmann
NePAD und der African Peer Review Mechanism – Zum Potential politischer Selbstbindung |

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- Nr. 2007-7 **Karl Homann**
Moral oder ökonomisches Gesetz?
- Nr. 2007-6 **Markus Beckmann, Ingo Pies**
Responsibility and Economics
- Nr. 2007-5 **Ingo Pies, Stefan Hielscher**
Das Problem weltmarktl. Arzneimittelversorgung:
Ein Vergleich alternativer Argumentationsstrategien für eine globale Ethik
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Wie bekämpft man Korruption? – Lektionen der Wirtschafts- und Unternehmensethik
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Theoretische Grundlagen demokratischer Wirtschafts- und Gesellschaftspolitik – Der Beitrag von Thomas Schelling
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- Nr. 2006-12 **Ingo Pies**
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- Nr. 2006-11 **Markus Beckmann, Ingo Pies**
Ordo-Responsibility – Conceptual Reflections towards a Semantic Innovation
- Nr. 2006-10 **Markus Beckmann, Ingo Pies**
Ordnungsverantwortung – Konzeptionelle Überlegungen zugunsten einer semantischen Innovation
- Nr. 2006-9 **Markus Beckmann, Ingo Pies**
Freiheit durch Bindung – Zur ökonomischen Logik von Verhaltenskodizes
- Nr. 06-8 **Ingo Pies**
Methodologischer Hobbesianismus und das Theorieprogramm einer interessenbasierten Moralbegründung
- Nr. 06-7 **Ingo Pies, Peter Sass**
Korruptionsprävention als Ordnungsproblem – Wirtschaftsethische Perspektiven für Corporate Citizenship als Integritätsmanagement
- Nr. 06-6 **Nikolaus Knoepffler**
Projekt „Wirtschaftsethik“. Zur Aufhebung des Ansatzes von Karl Homann
- Nr. 06-5 **Ingo Pies, Alexandra von Winning**
Die UN-Dekade „Bildung für eine nachhaltige Entwicklung“ und der Beitrag des Global Compact: Eine wirtschaftsethische Perspektive
- Nr. 06-4 **Ingo Pies**
Markt versus Staat? – Über Denk- und Handlungsblockaden in Zeiten der Globalisierung
- Nr. 06-3 **Markus Beckmann, Diana Kraft, Ingo Pies**
Freiheit durch Bindung - Zur Logik von Verhaltenskodizes
- Nr. 06-2 **Sören Buttke, Ingo Pies**
The Economics of Social Dilemmas
- Nr. 06-1 **Ingo Pies**
Theoretische Grundlagen demokratischer Wirtschafts- und Gesellschaftspolitik – Der Beitrag von Albert Hirschman

- Nr. 05-12 **Ingo Pies, Alexandra von Winning**
Sustainability by Education: Lessons to be learned
- Nr. 05-11 **Ingo Pies, Alexandra von Winning**
Nachhaltigkeit durch Bildung: Lessons to be learned
- Nr. 05-10 **Ingo Pies**
Ökonomische Ethik: Zur Überwindung politischer Denk- und Handlungsblockaden
- Nr. 05-9 **Ingo Pies**
Chancen und Risiken der Globalisierung: 10 Thesen
- Nr. 05-8 **Gerhard Engel**
Karl Marx und die Ethik des Kapitalismus
- Nr. 05-7 **Ingo Pies**
Was gefährdet die Demokratie? – Eine kritische Stellungnahme zur Kapitalismusdebatte in Deutschland
- Nr. 05-6 **Martin Petrick, Ingo Pies**
In Search for Rules that Secure Gains from Cooperation: The Heuristic Value of Social Dilemmas for Normative Institutional Economics
- Nr. 05-5 **Stefan Hielscher, Ingo Pies**
Internationale Öffentliche Güter –Ein neues Paradigma der Entwicklungspolitik?
- Nr. 05-4 **Ingo Pies, Peter Sass**
Selbstverpflichtung als Instrument der Korruptionsprävention bei Infrastrukturprojekten
- Nr. 05-3 **Ingo Pies**
Theoretische Grundlagen demokratischer Wirtschafts- und Gesellschaftspolitik – Der Beitrag von Karl Marx
- Nr. 05-2 **Ingo Pies, Markus Sardison**
Wirtschaftsethik
- Nr. 05-1 **Johanna Brinkmann, Ingo Pies**
Corporate Citizenship: Raison d'être korporativer Akteure aus Sicht der ökonomischen Ethik

Wirtschaftsethik-Studien²

- Nr. 2007-1 **Markus Beckmann**
Corporate Social Responsibility und Corporate Citizenship
- Nr. 2005-3 **Ingo Pies, Peter Sass, Roland Frank**
Anforderungen an eine Politik der Nachhaltigkeit – eine wirtschaftsethische Studie zur europäischen Abfallpolitik
- Nr. 2005-2 **Ingo Pies, Peter Sass, Henry Meyer zu Schwabedissen**
Prävention von Wirtschaftskriminalität: Zur Theorie und Praxis der Korruptionsbekämpfung
- Nr. 2005-1 **Valerie Schuster**
Corporate Citizenship und die UN Millennium Development Goals:
Ein unternehmerischer Lernprozess am Beispiel Brasiliens
- Nr. 2004-1 **Johanna Brinkmann**
Corporate Citizenship und Public-Private Partnerships: Zum Potential der Kooperation zwischen Privatwirtschaft, Entwicklungszusammenarbeit und Zivilgesellschaft

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