“Creating and Developing Together”

Progress Report
August 2010
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I. Renewal of the commitment to PRME

Sabancı University was one of the first signatories to the Principles for Responsible Management Education initiative and I am proud to introduce this report the progress we made towards reaching the goals implied by these principles. I hereby express our continued support and commitment to the objectives of PRME.

As an institution of higher learning involved in the education of current and future managers Sabancı University is committed to engaging in a continuous process of improvement in the application of the Principles for Responsible Management Education. We see reporting on progress to all stakeholders and exchanging effective practices with other academic institutions as a natural and important reflection of this commitment. We believe the role of our faculty in developing business leaders to take a broader ethical and societal perspective on business has never been more important.

We understand that our own organizational practices should serve as example of the values and attitudes we convey to our students.

We encourage other academic institutions, and associations to adopt and support these Principles.

Prof. Nihat Berker
President
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Orhanlı, Tuzla, 34956
Istanbul, Turkey
I. A Word from the Dean

I am honored and delighted that our school is a signatory of the UN Global Compact and the Principles of Responsible Management Education. This letter is to convey not only my personal commitment but that of my faculty in meeting the goals of PRME.

Sabanci University was established in 1999 and while dedicating itself to world class research and teaching vowed not to become an ivory tower. The university leadership, faculty and students strive to be closely connected to all our stakeholders and to be engaged with the critical issues facing Turkey and the world. Some aspects of the FMAN culture specifically relate to our commitment to Responsible Management Education:

- **We pursue excellence with a passion.** Our faculty members, almost all with Ph.D.s from elite international universities, are dedicated to pursuing excellence in their research and teaching.
- **We value and contribute to the local context.** We view business, government and NGOs as important stakeholders and through our research, teaching and consulting seek to understand and improve the effectiveness of these organizations.
- **We have a deep commitment to be socially responsible.** For example, we were the one of the first universities in Turkey to sign the UN Global Compact (UNGC). We were also one of the first schools in Turkey to require a course on Business Ethics for all MBA and EMBA students.
- **We endeavor to foster values of respect, integrity, professionalism, responsibility and freedom in all that we do.** SU has formal codes of Academic Integrity and Academic Freedom and we work to live by those codes. We treat our faculty, staff and students as professionals.

The Faculty of Management at Sabanci University is strongly committed to the PRME. We have much more to accomplish in this vein, but look forward to continuing to work with our colleagues in the PRME community toward the achievement of these principles. Sabanci University’s founding philosophy, its mission and principles provide an excellent environment for fulfilling this promise.

Nakiye Avdan Boyacigiller
Dean
Faculty of Management
II. Sabancı University

a) Philosophy

Sabancı University will be a participatory institution that is financially and administratively self-sufficient and sustainable. Sabancı University will be sensitive to the needs of its students, their families, employees, administrators and the entire society.

We will strive to define and make visible all issues that concern us at large, and focus on applied techniques to meet the social and technological needs of the future. We will adopt an interdisciplinary approach of “learning to learn” to cultivate knowledge, support education and facilitate social advancement.

The University will cultivate its existing local and regional comparative advantages to generate, articulate, uncover and develop leading-edge knowledge in order to create competitive competencies within an international and global context. The University will take active initiative to form and to select international and global educational and research networks.

Keywords of our Philosophy

- Student/Stakeholder Focused
- Participatory
- Socially Responsible
- Application-Oriented
- Developing and Disseminating Knowledge and Science
- Interdisciplinary
- Self-Sufficient
- Teamwork Oriented
- Local, Regional, Global
- Learning to Learn

b) Vision

We will be an innovative institution responsive to the needs of all our constituents through a participatory, team-based culture. We will have an interdisciplinary educational infrastructure that will create and disseminate knowledge. Sabancı University aspires to become a global reference point for educational innovation.

c) Motto and Mission

Our mission is to develop competent and confident individuals, enriched with the ability to reflect critically and independently, combined with a strong sense of social
responsibility; and, to contribute to the development of science and technology, as well as disseminating the knowledge created to the benefit of the community.

d) Guiding Principles

Sabanci University is guided by strong principles that underpin our commitment to responsible management education. We believe Academic Integrity is the foremost of our responsibilities to the society in which we live. Our Academic Freedom statement finds expression as follows:

- All members of the University community involved in the practice of dissemination of knowledge are entitled to freedom in the conduct of their teaching in the classroom, of their research on or off campus, and in the publication, discussion and interpretation of research results.
- The faculty and administration of Sabanci University are responsible for protecting the right of each member of Sabanci University to artistic expression or to freely expressing his or her personal scholarly opinion.
- The University does not attempt to influence or control the personal opinion or public expression of that opinion of any member of the University community.

The University respects the expression of opinion and choice of association of members of the University community in their private, civic capacity. The right to academic freedom carries with it the duty to use that freedom in:

- Commitment to ethical obligations and responsibilities to the University community and to one's profession.
- Commitment to excellence, innovation, and to advancing the frontiers of knowledge in teaching and research at an individual level and in a collaborative spirit.
- Making a clear distinction between one's responsibility to the University and one's rights as an individual, and making sure that the expression of views does not implicate or commit the University in any way.

December 23, 2002

e) Faculty of Management at a Glance

The Faculty of Management is one of three faculties within SU and offers the following degree programs:

- BA in Management
- MBA-Two Year Full Time Program
- Executive MBA- 16 months , part time program for experienced managers
• Leaders for Industry (LFI) a dual degree program offered with the Faculty of Engineering and Natural Sciences

• MSc in Finance

• Ph.D. Program offered in Operations Management, Organization Studies and Finance.

In addition, members of the Faculty of Management are strong contributors to programs run by the Executive Development Unit (EDU).

Faculty of Management enjoys and contributes to SU’s overall reputation and strength in the domains of academic freedoms, human rights, and social awareness. As academic departments are often viewed as creating disciplinary silos and impeding interdisciplinary research and teaching we chose to build a university without academic departments¹. With all programs being taught in English, commitment to international exchange of faculty and students and an overwhelming percent of faculty with degrees from top schools internationally, FMAN has helped reverse Turkey’s brain drain. In addition, SU’s values, strong and public stance on academic freedom, academic integrity, and academic responsibility and against discrimination and sexual harassment have all lead to SU’s excellent reputation in Turkey.

The mission of FMAN is “to contribute to the knowledge and practice of management in Turkey and the world through the quality of our research, programs and graduates. In this vein we:

- Conduct and disseminate rigorous, relevant and internationally recognized research.
- Deliver a range of challenging and innovative programs that are responsive to the current and potential needs of business and society.
- Graduate confident, socially responsible individuals with the knowledge and skills to succeed in the global arena and poised to impact society.”

FMAN pursues this mission through its various academic programs and the research, consulting and outreach activities of its individual faculty members. We constantly strive to achieve a balance between our efforts in all domains of this mission. FMAN’s main strategy is to be a pioneering model educational base in a local and international context, in continuous interaction with the society, nourished by research and critical inquiry. One of our strategic priorities is the interaction with the society through

- Strengthening our interaction with the society and increase our contributions

¹ SU’s liberal educational philosophy challenged Turkey’s system that places students into programs based on the results they achieve from a central placement exam; as a result all of our students have the right to choose their own program of study. This was very revolutionary in our country.
o Being responsive to the needs of the society and contribute, both in local and regional levels
o Leading national and international collaboration projects that will serve social transformation and unite different sectors of the society

III. Commitment to the Principles and Achievements

a) Principle One

**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.*

- **Courses in Undergraduate Program:** All of our undergraduate students take “Civic Involvement Project” course (CIP) during which they participate in real life projects which would *make a difference in other peoples’ lives.* “Law and Ethics” Course is also mandatory for all undergraduate students. The objective of these courses is to help students develop sense of individual responsibility and capacity for moral reasoning.

- **Courses in Graduate Programs (EMBA and MBA):** Sabanci University was the first university to include “Business and Ethics” course in the MBA core curriculum in Turkey. CSR and/or sustainability issues are also covered in “Technology Management”, “Entrepreneurship”, “Human Resources Management”, “Organisational Behaviour”, “Globalisation”, and “Financial Reporting” courses. Company Action Projects that are integrated into our MBA curriculum aims to provide an opportunity for our students to experience possible conflicts between economic and social goals for businesses and challenges in dealing with them.

- **Industry Leaders Program (ILP):** Industry Leaders Program is a double degree program through which students pursue an MBA and an MSc degree in engineering. The graduates of ILP are usually employed right after graduation by leading industrial companies for operational management positions. The program includes Strategic Management course which covers Sustainability and Stakeholder Management in details and has a session on Ethics in Business.

- **AACSB Accreditation Process:** FMAN is in the process of AACSB accreditation. As a part of the process we have defined rubrics to assess whether we are able to achieve learning outcomes in our programs. One of the learning outcomes we would like to achieve is the ability to recognize the ethical issues, the ability to
understand the influences on moral behaviour, and the ability to develop managerial/organizational responses to ethical problems/dilemmas.

b) Principle Two

Values: We will incorporate into our academic activities and curricular the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact

- **Memberships:** We are a signatory to the Global Compact. Our faculty participated in the development of Responsible Management Education Guidelines.

- **Faculty Development:** We have organised “awareness” sessions to inform our faculty on the trends and developments in incorporating the values of global social responsibility into academic activities in higher education institutions. We invited Prof. Dirk Matten in May 2010 to give a seminar and meet with our program directors to discuss different approaches used in incorporating corporate responsibility and sustainability themes into the curricula in different countries. The conclusion was that at the initial stages of integration, the best approach is to have dedicated core courses such as our “Business and Ethics” course while trying to integrate the themes into each and every course.

We also invited Prof. Rene Adams - whose recent work focuses on board diversity and gender issues, to give a seminar and discuss ongoing research on similar themes by our faculty in June 2010.

c) Principle Three

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

- **Improving the Teaching Methods:**

  **Business and Ethics:** We are looking into how to improve the effectiveness of our teaching. For example Business and Ethics course has proven to be a challenging course to deliver since Business and Ethics are more difficult to reconcile in a developing country context. One of the challenges we face is the lack of educational material relevant to corporations in emerging economies. The course is better received over the years by our students thanks to the increasing convergence of the institutional framework in which Turkish businesses operate with European and international frameworks and accompanied internationalisation. We started using documentaries and feature films to complement traditional teaching methods and benefited from Aspen Institute’s Giving Voice to Values curriculum materials
prepared by Prof. M. Gentil at Babson College. These materials are also distributed to the faculty as resources that can be used in different courses.

**Other Courses:** While the Business and Ethics course focuses on developing student’s capacity to make “ethically” better decisions as managers and to appreciate the emerging perspectives on stakeholder view of the firm, our “Globalisation” course argues that business is “amoral” and explores the sustainability and social development issues from a political economy perspective, questioning the morality of modern capitalism. As such it complements the emphasis in the “Business and Ethics” course. In the Human Resource Management course the students discuss equal opportunity employment as necessary for the integration of social, human and economic goals in organizational policies. In both Organizational Behaviour and Human Resource Management Courses we emphasize the importance of best practices and evidence-based management. In both Organizational Behaviour and Human Resource Management Courses we emphasize the development of human capital through continuous training.

**Company Action Projects (CAP):** Our MBA program includes a Company Action Project (CAP) whereby our students work with a company on a real life project. Since 2009, we added a new dimension to CAP. In the beginning of the MBA program, our students “bid” for the projects presented by companies. The primary document whereby companies define their projects to our MBA class has a new section titled “Social and Environmental Policies”. At this early stage the companies are expected to state whether they have any guiding documents related with environmental protection, corporate social responsibility, ethical conduct or stakeholder impact analysis. All 18 companies that submitted project applications For CAP 2010 filled this section appropriately and recognized that it is an integral part of CAP learning process. Subsequent two milestones in the process are

i) Project Proposal presented by CAP student teams after they have analyzed the problem situation and

ii) Final Value Add presentation and report that represents CAP teams’ final delivery to the company.

Both of these deliverables include an analysis of Social Environmental and Ethical Impact pertaining to project scope. In CAP 2010 all eight projects addressed this section although some companies were not as engaged in the analysis or the resulting reflections.

CAP process also includes “Just In Time” seminars which are designed to address deficiencies in knowledge or skills that may emerge as projects evolve. Each year one seminar is allocated to Social Ethical and Environmental Impact Analysis. The seminar is usually aligned with the Business and Ethics course.
During CAP 2010 we have successfully raised awareness around the topics pertaining to Responsible Management Education. We still need to improve in two areas; educate project sponsor companies where needed and, develop students’ skills earlier in the process.

- **International Conferences and Research Networks as Learning Vehicles:**

  We have been active in organising international conferences over the years. The *International Conference Series on Corporate Governance in Emerging Markets* supported by IFC’s Global Corporate Governance Forum was launched at our premises in 2007. Our faculty member M. Ararat has been the Coordinator of the research network and has actively participated in the organizing committees of the subsequent workshops and conferences at Yale University and Coppead Business School in Brazil. The details are at: [http://www.gcgf.org/ifcext/cgf.nsf/Content/Research](http://www.gcgf.org/ifcext/cgf.nsf/Content/Research)

  The Third International conference in the series will be hosted by Korean University and Asian Corporate Governance Institute and the preparations are under way. This year’s conference will have a dedicated session on CSR and Sustainability and will Be supported by UN PRI (Principles of Responsible Investment) academic network.

  In 2009 the *5th International Social Entrepreneurship Conference* was co-organized by INSEAD and SU. The title for the conference was "Social Entrepreneurship for Change". Over 240 people from countries (including Africa, the Americas and the Middle East) brought global and local perspective to social entrepreneurship. The details of the conference are at: [http://myweb.sabanciuniv.edu/sosyalgirisimcilik/](http://myweb.sabanciuniv.edu/sosyalgirisimcilik/)

  b) **Principle Four**

  **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.*

  Our faculty is specifically interested in corporate governance, corporate transparency, investor behaviour, board diversity and disclosure issues. Our faculty collaborates with industry to conduct high impact research.

  Recent refereed journal publications and book chapters include:


**Working papers and work in progress include:**

Melsa Ararat, M. Aksu and A.T. Çetin, (2010), ‘Impact of Board Diversity on Boards’ Monitoring Intensity and Firm Performance: Evidence from the Istanbul Stock Exchange’ (The findings of this publication has been reported by Corporate Library’s report on Performance Impacts of Board Diversity on 28th July 2010 ). Conference Proceedings, IABPAD 2010

Melsa Ararat, Hakan Orbay and B. Burcin Yurtoglu, “Determinants of Voting Behaviour of Institutional Investors in Turkey”

Melsa Ararat, Bernard Black and B. Burcin Yurtoglu, “Does Corporate Governance Predict Firms’ Market Values, Evidence from Turkey”

Melsa Ararat with Hakan Orbay and B. Burcin Yurtoglu, “Board Independence and Firm Performance in Firms with Concentrated Ownership: Evidence from Turkey”

Melsa Ararat with Mehtap Aldogan, “Women on boards, who are they, who appoints them and what do they do; an exploratory analysis”

Ayse Karaevli, & Zajac E. J. When Does New CEO Outsiderness Generate Strategic Change? When Paradox and Irony Meet

Ayse Karaevli, The Outsider CEO Paradox: (When) Do They Outperform Insiders?


Karaevli, A. & Demirok, E. “Change Within Continuity”: Entry Mode Strategies of Turkish Family Holdings and Their Affiliated Firms (1938-2009)

c) **Principle Five**

**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.*
• FMAN faculty provide thought leadership in Turkey on governance and CSR issues through public speaking engagements, media interviews, seminars, and contributions to popular press. Our faculty have been quoted by local and international press frequently.

• Members of our faculty are frequently invited to participate in related projects for intellectual contribution. Our faculty has worked with UNIDO, GTZ (German Development Agency), AFD (French Development Agency), British Council, and OECD in the previous years.

• Some members of our faculty serve on advisory boards of NGOs and public interest bodies. M. Ararat is on the advisory board of Corporate Social Responsibility Association. She also sits in the Code Peer Review Team of IFC’s Global Corporate Governance Forum. D. Cetindamar is on the advisory committee of United Nations Global Compact Academic Network. N. Boyacigiller is a member of European Advisory Council of AACS B for the term 2010-2010. A. Oncu is on the academic advisory board of WBCSD’s (World Business Council for Sustainable Development) Turkey chapter.

• Some of our faculty engage with companies in advisory capacity in sustainability, governance, CSR and social reporting issues. These assignments help disseminate best practices and create the opportunity to develop an insight into regularities in Turkish corporations. For example, following an assessment of Akbank’s (leading bank) social performance, which was presented to their board, Akbank signed the Global Compact and become the lead sponsor of Carbon Disclosure Project in Turkey.

d) Principle 6

Dialogue: 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

• Corporate Governance Centre: FMAN hosts the Corporate Governance Forum of Turkey (CGFT), a research and advocacy program. Affiliated faculty conduct research on governance issues in Turkey and in emerging markets, and offer Corporate Governance as an elective course in graduate programs. For example the Forum is represented in the Corporate Governance Technical Committee of the ministerial Coordination Council for the Improvement of the Investment Environment (YOIKK). CGFT worked closely with S&P in conducting disclosure studies on Turkish firms and currently working with Broadridge using their proprietary data of Institutional Investor Votes in the general assemblies of Turkish listed companies to investigate voting behaviour of international institutional investors.
• **GRI support**: Our faculty contributed to the translation of GRI Principles and GRI Protocols into Turkish as editors in 2010.

• **Carbon Disclosure Project**: We have become the local partner of Carbon Disclosure Project for Turkey on 2010. The project is hosted by CGFT. CGFT has organized 2 workshops and training session on carbon emission calculations and climate change risk assessment. The CDP-Turkey report is under preparation by our faculty. CGFT will continue to host CDP-Turkey in the coming years. The objective of FMAN’s support to CDP is to enhance our existing competence and experience in corporate disclosure and collect valuable data for our future research on business response to climate change, as well as to create an awareness of the climate change risks. Prof. N. Stern was invited to speak at the launch of the project at our university and 300 high level representatives from business and media attended his talk.

• We have organized a session during the Operational Research and Industrial Engineering Conference on Sustainability where we brought together international and local environmental NGOs (Green Peace and Doga Dernegi) with local and international businesses (Coca Cola and Eczacibasi). The session was an eye opener for the audience regarding the changing power dynamics between the businesses, governments and the civil society. We plan to publish the transcripts of the session with a commentary.

• Our faculty serves in editorial boards and act as referees. Examples are:

  M. Ararat sits on the editorial advisory board of Corporate Governance, The International Journal of Business in Society. She has been an Expert Reviewer for European Commission’s Research Directorate General for the Corporate Social Responsibility theme of 7th Framework Program.

### IV. **Key Objectives of the Next Phase**

We have submitted a document which summarized our drivers and instruments for PRME, our ongoing efforts and plans when we signed the Global Compact agreement. Our document listed the following priorities:

• Faculty awareness and collaboration with international faculty on Sustainable Development.

• Supporting student initiatives and inviting speakers from leading corporations to present their Sustainability initiatives.

• Offering related classes such as Sustainable Operations, Environmental Operations.
• Engagement with NGOs.

Our report demonstrates that we have made some progress in all of these areas, except offering new courses. In the coming period, our priorities will remain the same; however we have the following concrete action items for the next phase:

• We will continue our efforts to encourage companies to offer CSR projects for our MBA Company Action Program (CAP) course. We aim to have at least 1 such project in the next academic year. By CSR project, we do not mean initiatives/campaigns decoupled from core businesses of the firms but projects which aim sustainable integration of social, environmental and economic goals in organizational policies.

• We will open an elective course on Corporate Governance in EMBA program.

• We will incorporate a seminar series on Corporate Governance in Practicing Finance Course in “Master in Finance” program.

• We started a discussion within the University about the need to establish a system to measure our performance in “graduating confident, socially responsible individuals, enriched with the ability to reflect critically and independently, combined with a strong sense of social responsibility” as mentioned in our mission.

• We will reduce the gap between our research and the communication of the outcome to the wider society- especially when our research has policy implications, by strengthening our collaboration with Istanbul Policy Centre of Sabanci University.