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Editorial Note

The November 2014 issue of the *Journal of International Business Disciplines (JIBD)* has been the result of a rigorous process in two stages:

- Stage 1: all papers that were submitted to the 2014 IABD conference went through blind reviews, and high quality papers were accepted for presentation at conference.
- Stage 2: approximately ten percent of the accepted articles and one invited manuscript were selected for possible publication in *JIBD*, and the respective authors were contacted and asked to resubmit their papers for a second round of reviews. These manuscripts went through a rigorous review process by the editorial board members and external reviewers. In the end, three articles were recommended by the editorial board for publication in the November issue of *JIBD*.

JIBD is committed to maintaining high standards of quality in all of its publications.

Ahmad Tootoonchi, Chief Editor
Journal of International Business Disciplines

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SOCIALLY RESPONSIBLE INVESTMENT RATING STANDARDS: WHO RATES THE RATERS?

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ABSTRACT

To better understand the impact of Socially Responsible Investment (SRI) ratings, I investigate how ethical funds select companies for investment. A case study and a review of the literature show that some SRI funds follow investment advice from third party raters and that, surprisingly, there is little knowledge about these raters' sources and methodologies. This creates potential issues for firms deemed as unsuitable SRI investment targets, because the rating's murkiness thwarts efforts to challenge the assessment. The problem becomes more relevant as SRI's popularity grows. In Europe in particular, governments have regulated pension investments through guidelines about non-financial criteria that large pension funds must follow in their investments. Since these funds are usually the largest asset managers, public companies have an interest in being suitable SRI investment targets. Accordingly, I propose the creation of standards for the raters, and a strategy of "co-engagement" for firms interested in attracting SRI money.

INTRODUCTION

Socially Responsible Investment (SRI), or ethical investment, involves considering the ethical, social and environmental aspects of companies when selecting them for investment (EIRIS, 2002). Currently, the term "social investing" is loosely defined and the amount of assets invested using this approach is difficult to assess (Schepers & Sethi, 2003). However, in the UK, the Ethical Investment Research Services (EIRIS) reports that these investments have grown from £199 million in 1989 to £11 billion in 2012 (EIRIS, 2013). As these funds appeal to more investors, we need to know how they function and their effects not only on investors, but also on public companies looking for new equity investors. To better understand the potential impact of SRI ratings, I investigate how ethical funds make investment decisions.

Key regulation in the UK—namely the 1995 Pension Act, the 2005 Occupational Pension Schemes, the Trustee Act 2000, and the "Charities and Investment Matters" guidance (CC14)—force pension funds and charities to consider social and environmental factors in portfolio selection, though they are not obliged to invest ethically (Sparkes, 2001). Since these institutional investors tend to be the largest shareholders in most public companies, firms may find themselves unable to raise adequate equity funding based on ethical grounds. In fact, in their review of the business sustainability literature, Stefan and Paul (2008) show that firms included in SRI indexes have better access to capital from both loans and equity investments.

The study of SRI is important not only because inclusion in these portfolios broadens the firm's access to capital, but also because of its potential effects on firm profitability and stock returns. Additions and deletions from major SRI funds have been found to have different effects (Consolandi, Jaiswal-Dale, Poggiani, & Vercelli, 2009; Doh, Howton, Howton, & Siegel, 2010). In a study of firms in the Dow Jones Sustainability Index (DJSI), Consolandi *et al.* found higher returns and lower volatility for firms that are part of the Index. Using an event study, these authors also report that the positive effect of addition is smaller than the negative effect of a deletion from the DJSI. Addition to the Index has a small but statistically significant positive effect on a company's stock price. Firms that are part of the Index and are later removed experience a large and immediate decrease in their share price. This result is consistent with the negative effect of delisting from the Calvert Social Index on share price found by Doh, Howton, Howton, and Siegel (2010).

Capelle-Blancard and Couderc (2009) found a similar result in a study of 8,000 additions and deletions from three major SRI families (DJSI, FTSE4Good, and Aspi)—stocks included in SRI indexes present a temporary positive increase in abnormal returns. Mutezo (2013) also found a positive result using companies listed in the Johannesburg Securities Exchange SRI. More recently, a study of the FTSE4Good–the main SRI index in the UK—reported that firms that are removed from the Index experience a decline in firm value, as measured by Tobin's Q (Russo & Mariani, 2013). In contrast, a study of German corporations found that inclusion in the DJSI had a negative effect on stock performance (Oberndorfer, Schmidt, Wagner, & Ziegler, 2013). Interestingly, an event study of five SRI indexes (FTSE4Good, MSCI World KLD 400, MSCI World SRI, MSCI World ex Controversial Weapons, and MSCI World ESG) found that whether a company experienced abnormal returns or not after the inclusion or deletion from an SRI index depended on which index was being studied: there is an index effect in the inclusions into the World ESG and FTSE, but not with the other three indexes (Wouters, 2012). Despite some conflicting results, a meta-analysis of 30 years of research found a positive relationship between corporate social responsibility and firm performance (Orlitzky & Benjamin, 2001).

Taken together, these studies indicate that additions and deletions from SRI indexes have important effects on firm performance, stock price, and stock volatility. However, there is a lack of understanding of how SRI ratings work. In their review of the SRI literature, Capelle-Blancard and Monjon (2012) called for studying SRI using richer methodologies. I seek to contribute to this research by using a case study to analyze how SR investors apply their criteria.
In this paper, I present a comprehensive review of SRI funds, particularly in the UK. Drawing on data from interviews, questionnaires, and company documents, a brief case study of one of the largest ethical fund managers in the UK will be presented to exemplify the functioning of SRI funds in general, and the reasoning processes used in their investment decisions.

CASE STUDY

I studied a fund management organization with more than USD 270 million under management in 2006–excluding mortgage assets—and led by one of the most experienced SRI teams in Europe. To maintain the anonymity of this SR investment vehicle, I will refer to it as "the fund."

The fund's SRI team is made up of five fund managers and four specialist research analysts. The fund will not invest in any company until its SRI team approves it; this team manages over five retail funds covering world bond and equity markets, pooled SRI pension funds and some banks' ethical funds. Prior to any investment, the SRI analysts compile information from company reports and accounts, websites, and experts. Non-Government Organizations (NGOs) such as Friends of the Earth, Greenpeace and The Soil Association are considered important sources of information. As with other SRI funds, rather than dividing companies as good or bad, the fund sorts companies along a continuum.

Table 1 presents examples of how some companies are rated using the sustainability matrix. The starting universe is composed of companies in the FTSE. The SRI team may contact companies directly and even carry out evaluation visits. Subsequently, companies are classified according to the how sustainable their products are (on a scale from A to E) and how the company is managed (on a scale 1 to 5). A1 is the best rating possible and only companies rated C3 or better are considered suitable for investment.

"Product Sustainability" aims to evaluate the positive and negative effects of the company's products and services on the natural environment and societal stakeholders. For instance, companies that engage in the production of renewable energy obtain a better score than companies whose products are considered harmful—such as tobacco.

In the area of human health, the fund is mainly concerned about products. Drugs in the World Health Organization (WHO) list of essential medicines, drugs for unmet needs and vaccines—in that order—are considered more suitable than "life-style" drugs. Additionally, the company regards some areas of research as "positive" and encourages certain practices— such as stem cell research that does not use embryos.

For example, one manager explained how the construction of the sustainability matrix for life science companies depends on the type of product. Biotechnology companies with research and development (R&D) focused on unmet medical needs get an A rating. Most pharmaceutical companies with exposure to more "lifestyle-oriented" drugs get a rating of B. As with any other sector, companies are also graded according to "management vision and strategy."

In the case of agricultural biotechnology, the lowest product rating is for companies with current/historical involvement with chemicals/agrochemicals. As this has been an important revenue source for major agribiotech companies—such as Monsanto, Syngenta, or Bayer—they are considered unsuitable for investment. It is interesting to note that the fund has resorted to this criterion in order to avoid investments in agribiotech, and not specifically as a statement about the appropriateness of Genetically Modified (GM) crops. The fund's position is to favor consumer choice and therefore they encourage labeling of food containing GM, but they do not explicitly oppose GM. Hence, new agribiotech companies—with no historical involvement with agrochemicals—are better positioned than traditional players to be screened into the fund's portfolio, and probably into other SRI funds.

The second dimension, "Management Vision and Practice," assesses the firm's management and governance practices, structures, and codes. Using this dimension, the fund is able to incorporate

corporate governance (CG) tools and best practices to the evaluation of its portfolio of investment. Although agency theory has traditionally posited that the role of managers and boards is to maximize shareholder wealth, research has shown that Corporate Social Responsibility (CSR) and good corporate governance are not at odds (Beltratti, 2005). CSR can lead to increases in revenue through better access to customers interested in green and socially responsible products, innovation—particularly in energy and waste management—and access to certain markets. Additionally, CSR practices also lead to lower overall risk as well as reductions in the cost of energy, services, capital, and labor (Russo & Mariani, 2013; Stefan & Paul, 2008).

Corporate governance and CSR are complimentary in achieving superior reputation, innovation, and financial performance. They strengthen each other: socially responsible companies with sound governance practices usually enjoy superior reputation and financial performance. They also keep each other in check: good corporate governance will help to thoroughly evaluate CSR programs, and to promote only those programs that are in the best long-term interest of all stakeholders. CSR practices, on the other hand, would prevent actions that may affect the firm's reputation and its value, thus preserving shareholder wealth (Beltratti, 2005).

TABLE 1. SUSTAINABILITY MATRIX EXAMPLE.

Shaded cells are considered suitable for investment.

	Management Vision and Practice				
Product	**1**	**2**	**3**	**4**	**5**
A		Pearson Smith & Nephew	GlaxoSmithKline Johnson Matthey		
B	BT Group Severn Trent	AstraZeneca Legal & General Vodafone	Old Mutual Shire Pharma	3i Group Sage	
C	Lloyds TSB	British Land Centrica Unilever	Compass InterContinental Hotels Prudential	BSkyB Morrison (WM) WPP Group	
D	Iberdrola Royal Dutch Shell	British Petroleum Rio Tinto	Anglo American BHP Billiton RSA	Wolseley	
E		BAE Systems	BAT Rolls Royce	Imperial Tobacco Xstrata	

LITERATURE REVIEW

SRI investment serves two important purposes. First, it provides potential investors with choices that match their social preferences. Second, it supports efficient market functioning by encouraging product development and promoting corporate conduct preferred by investors (Schepers & Sethi, 2003). To proponents, SRI is a powerful vehicle for achieving both competitive portfolio returns and positive social change. For skeptics, however, these investments are ineffective, "politically correct" marketing (Rivoli, 2003).

SRI funds can be sorted into roughly two categories: green/environmental and ethical. “Green” funds invest in companies whose products, services, or processes contribute to the conservation, restoration, or renewal of the environment. For example, the Jupiter Environmental Income Fund invests in “good governance” companies that actively manage their environmental and social effects, and/or companies that fit Jupiter’s green investment themes: clean energy, water management, waste management, green transport, sustainable living and environmental services (Jupiter Asset Management, 2011).

Ethical funds—the focus of my study—are administered in accordance with a wide range of ethical standards, mainly relying on negative selection criteria to avoid investing in companies associated with certain “unethical” domains. Most ethical funds will also make assessments regarding a company’s environmental impact. After conducting negative screening, some of these funds apply positive vetting criteria.

Despite the lack of clear standards or definitions, ethical funds continue to be popular with investors, and their influence is expanding. Since 1984, when the first UK ethical fund was launched, the number of retail ethical funds in this country has grown to over 100. Their assets have also grown from USD 4.1 billion in 1999 to USD 18 billion in 2011 (Jones, 2011). An increasing number of local authorities and charities have begun to manage their investments according to ethical criteria. Consequently, in Europe in 2011 over USD 156 billion was invested in institutional and retail funds with active SRI policies (European Sustainable and Responsible Investment Forum, 2012). This amount may actually be higher as much “ethical money” is unidentifiable (Cullis, Lewis, & Winnet, 1992).

Although some commentators may question the motives of “ethical investors” or disagree with the methods used by SRI funds to select companies for investment, the reality is that these funds are here to stay, and they are increasingly influential. The primary impact of SRI investors on public companies will come from the effect on public perception and management responses to the issues raised by SRI. As advocates of corporate responsibility and business ethics, ethical funds are effectively elevating their concerns into the public domain.

History of SRI Funds

SRI formally began in the late 1960s and early 1970s in the US and Europe as a response to the social and historical issues of the day. American churches and universities were concerned about profiting from businesses’ involvement in the Vietnam War, and institutions questioned whether they should own shares in companies supplying war materials, or whether they should use their power as shareholders to force change (Domini & Kinder, 1986). Although initially these responses came mainly from Christian churches, lay society has become increasingly involved.

The first application to the Department of Trade and Industry (DTI) for the establishment of an ethical unit trust in the UK was made in 1973 by a Methodist lay preacher (Louche & Lydenburg, 2006). While loosely modeled on the example of ethical mutual funds in the US, this fund was constructed with a positive bias towards investment in companies whose products and services benefited the community. As an early sign of the ambiguity that has surrounded ethical investment since its inception, this proposal was turned down by the DTI because of a “possible conflict between capital and conscience” (Kreander, 2002, p. 22), without further explanation. Despite this setback, after two further applications preliminary approval was given in 1979 and the Friends Provident Stewardship Fund was finally launched in 1984. Today, it is the oldest and largest ethical fund in the UK and has thus had a major impact on the character of the ethical investment industry.

Environmentalism has been the second major factor driving the growth in ethical investment. Starting in the late 1960s, the movement increased in political strength spurring dozens of NGOs and activist groups, and receiving extensive media coverage during the 1980s. The “Green Movement” led to the formation of new political parties that achieved particular importance in Europe. Events like the Chernobyl disaster in 1986 and the publication of the Brundtland report in 1987 led to increasing prominence for the environment, triggering the introduction of environmental legislation and eventually leading to the Environment Act of 1995.

A third factor behind the development of SRI was concern for human rights. One of the most common criteria for UK ethical funds in the 1980s was the avoidance of investments in South Africa due to its Apartheid regime (Sparkes, 2001). As a result of SRI activism, over 25 corporations closed or curtailed operations in South Africa (Marlin, 1974). Although this screening criterion was dropped by most ethical funds soon after Nelson Mandela became President in 1994, avoidance of support for oppressive regimes, child labor and other criteria related to human rights are still common among European ethical funds.

Inspired by this success, the Sudan Divestment Task Force was created in 2006 to pressure the Sudanese government to end genocide and other violations of human rights. This campaign led to the passing of the Sudan Accountability and Divestment Act of 2007 by the U.S. Congress (The Sudan Divestment Task Force, 2008). In its evaluation of the effects of this legislation, the Government Accountability Office (2010) found that “the value of U.S. shares invested in six key foreign companies with Sudan-related business operations declined by almost 60 percent from March 2007 to December 2009” (p. 5).

The association between campaigning factions and ethical investment persists and this relationship merits some consideration, not least because many of these groups claim the moral high ground (Taylor, 2001). Environmental issues, health matters and the use of animals for research are concerns for a variety of campaigning groups. The full range of ethical investments available today may not have developed without the existence of these groups (Taylor, 2001). The fund on which my case study is based provides an example of this association. While they did not reveal the names, during interviews fund representatives confirmed that they manage the pension funds of several NGOs.

Soon after the creation of the first ethical funds, bodies were established to review the ‘ethical performance’ of companies. In 1970, the Young Friends Central Committee of the UK created an ethical investment working group in response to concerns that the investment of Quaker funds did not reflect their beliefs. This led to the creation of the Ethical Investment Research and Information Service (EIRIS) to provide investment oversight (Sparkes, 1995). Today, EIRIS researches over 3,000 companies from major national and international stock indexes. Additionally, it offers detailed research on 7,000 firms.

The particular challenges that SRI pose to investors have motivated the emergence of indexes that enable investors to compare the performance of SRI portfolios with the performance of the stock market as a whole. These indexes also allow institutional investors to combine ethical investment with the tracking of an index. Figure 1 presents a timeline of the creation of SRI funds and indexes and important historical events that have helped to raise the profile of SRI.

The first SRI index, the Domini Social Index (DSI), was created in 1990 in the US (Havemann & Webster, 1999). It monitors the performance of 400 corporations that pass multiple, broad-based social screens. In 1998, the National Provident Institution (NPI) launched its Social Index in the UK. This index included 150 companies and 8 investment trusts selected according to social and environmental aspects of their business (Havemann & Webster, 1999). The Australian Mutual Provident Society purchased NPI in 1999, and in February 2004 re-branded the SRI funds as Henderson Global Care. The Dow Jones (DJ) and Dow Jones STOXX Sustainability Indexes (DJSI and DJSI STOXX respectively) were launched in 1999. They are the first global indexes tracking the financial performance of the foremost sustainability-driven companies from the DJ Global indexes. The DJSIs award each company in the DJ a sustainability rating based on economic, environmental and social criteria, and then compile the indexes with the top 20% of companies from each sector. In the UK, the FTSE4Good was created in 2001 by FTSE International and EIRIS. FTSE4Good encompasses four tradable and four benchmark indexes, representing Global, European, US and UK markets. The FTSE4Good “starting universe” includes all companies in the FTSE that meet the FTSE4Good criteria in human rights, environmental and social issues (FTSE, 2013). The Aspi Eurozone index was also launched in 2001. It includes 120 companies from the DJ EuroStoxx (RIMES Technologies Corporation, 2014).

In 2006, the United Nations launched the “Principles for Responsible Investment” (PRI) after over one year of discussion among finance and investments experts, civil society, and intergovernmental organizations from twelve countries. As of October of 2014, there are over 1260 signatories to the principles, and USD 45 trillion assets under management (Principles of Responsible Investment Association, 2014).

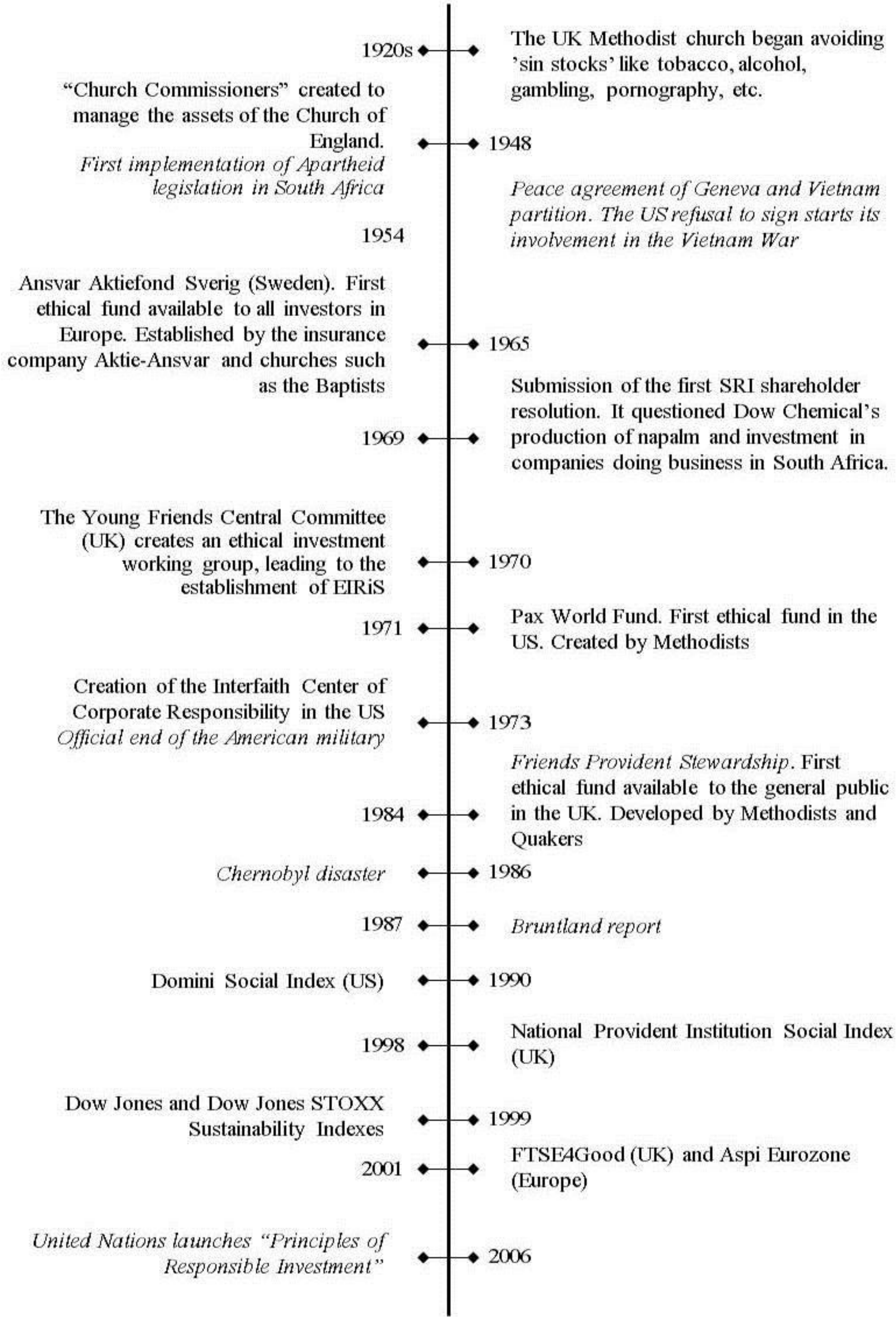

FIGURE 1. SOCIALLY RESPONSIBLE INVESTMENT TIMELINE, 1920-1987.

Historical events in italics.

The UK SRI sector is becoming more powerful and influential. There is no consensus about the drivers of this growth, although several explanations have been proposed (McCann, Solomon, & Solomon, 2003). Some commentators suggest that the recent SRI growth is a reaction to the globalization of business and that SRI is a product of a new ethical social discourse (Cullis et al., 1992; Lewis & Cullis, 1990). For others, interest in SRI is viewed as symptomatic of the “risk culture” associated with modernity. Despite enormous increases in wealth generation, it is argued that advanced Western societies have failed to offer their citizens a shared sense of meaning and purpose. SRI is an attempt to redress the imbalance while also acting as a risk management strategy (McCann et al., 2003).

Some researchers emphasize the role of suppliers (fund managers), viewing SRI as a product of consumerism and a tactic for offering investors more choices in response to demands for greater diversity in investment products (Cowton, 1994; McCann et al., 2003). Essentially, all unit trusts look very much alike and comparative performance is variable. Therefore, managers trying to differentiate their product from others add an attribute (“ethical”) to the product in question, so they can then market what the “ethical trusts” have and consequently what the competitors now lack (Cullis et al., 1992; Lewis & Cullis, 1990).

Others think there is a genuine change in the discourse of financial intermediaries, such as investment fund managers and pension fund trustees, driven by a real interest in embracing social responsibility (McCann et al., 2003). Again, this could be the result of a shift in values and new social discourses that fund managers—as members of society—have embraced.

Criticism of SRI

Several critics of SRI question the effect ethical investment could have in a fund’s performance. There is a strong moral and legal fiduciary or trust obligation for a financial institution, which has been entrusted with the savings of both citizens and corporations, to ensure the procurement of the best financial return possible (Taylor, 2001). Ethical investment may have financial implications that bear directly on the fiduciary’s duties of loyalty, candor and care. SRI might affect particularly the duty of loyalty, as fiduciaries must not act according to their own goals to the detriment of beneficiaries’ interests.

SRI can affect portfolio management, diversification, risk, and return. Higher management fees than other funds—necessary to cover the expenses associated with social, environmental and ethical screening—reduce the return on investment. Besides, SRI has an effect upon portfolio diversification and performance because, in theory, any investment strategy other than holding a portfolio that follows the market generally involves a less than optimal balance of risk and return (Hickman, Teets, & Kohls, 1999; Westerfield, 1984).

SRI should involve the acceptance of lower pecuniary returns in order to correct some broad form of market failure (Cullis et al., 1992; Lewis & Cullis, 1990). Ethical investment implies attaching importance to non-monetary attributes and therefore suggests different outcomes than could be expected from investments guided by a credo of profit-maximization. During interviews, the managers of the SRI fund in my case study expressed that they view these non-monetary aspects as opportunities. Since issues such as human rights and environmental performance are not already priced in companies' valuations, there is a market failure that the fund can identify and use to its advantage. For example, when carbon dioxide levies came into place in Europe, companies with low emission levels–such as SSE, an energy company—were not be liable for fines and were be able to sell some of their levies to other companies. The fund managers anticipated that this would raise SSE's valuation and their investment produced financial gains for the fund because it had identified this potential earlier.

Investment Criteria and Stock Selection

Even though funds draw up rules for "screening" companies (The Economist, 2001), implementation of SRI concepts is difficult because the distinction between responsible and irresponsible firms depends on norms set in particular social contexts, and the behavior of organizations changes over time (Rosen, Sandler, & Shani, 1991). The notion of social responsibility is not a single attribute but an aggregate of a number of smaller attributes that may not be always internally consistent or equally weighted (Rowley & Berman, 2000).

There are two different approaches to choosing ethical criteria. Market-led funds select their criteria from EIRIS on the basis of their perception of market demand (Mackenzie, 1998). The information collected by EIRIS is an important basis for "ethical investment" in the UK, as most funds use EIRIS databases and position papers. Schepers and Sethi (2003) note that the research data and background information on the corporation often consist of newspaper stories, anecdotal information, and occasionally conversations with corporate officials. Deliberative funds choose their criteria on the basis of reasoning about the ethics of corporate practice. These funds have advisory committees that make choices on the basis of ethical reasoning (Mackenzie, 1998). However, some commentators have argued that investment decisions are based not on ethical reasoning but on opinions, and that decision makers are using crude distinctions instead of careful judgments (Anderson et al., 1996). It has been shown that the advisory committees often spend more time discussing what the criteria should be, than actually devising and operationalizing procedures for monitoring whether individual investments meet stated ethical criteria (Cowton, 1999). If ethical reasoning actually occurs in the advisory committees, or what the tone and topics of discussion might be, remains unclear as advisory committees do not publish minutes of their deliberations, even in summary.

Whether market-led or deliberative, SRIs use three main screening criteria to make investment decisions. The predominant screening methodology used by SRI is the exclusionary screen or avoidance strategy (Cowton, 1999), a simple method for eliminating firms as inappropriate investment choices (Schepers & Sethi, 2003), using negative criteria selected by the funds. UK ethical investors, and charities in particular, consider a larger number of negative criteria than other European funds (European Sustainable and Responsible Investment Forum, 2012; Kreander, 2001).

Negative criteria are essentially one-dimensional. A firm may produce a socially desirable product (for example, organic food or clean fuel), but may use migrant labor or discriminatory hiring practices. Avoidance behaviors tend to be more newsworthy and get more publicity than affirmative behaviors (Rosen et al., 1991) – good corporate behavior is rarely newsworthy, but a scandal makes for popular press. This can explain why deletions from SRI indexes have a large negative effect on a company's stock price (Consolandi et al., 2009; Doh et al., 2010). Thus, the selection of issues appears to be based more on the intensity of the moral offence than on an issue's widespread social impact.

Another inconsistency with the selection criteria pertains to the issue of primary and secondary responsibility. For example, the fund might exclude pharmaceuticals for their production and sale of products that have been tested on animals, but the same fund would not exclude companies that might be engaged in transporting, promoting and selling these products. Even when considerations of supply-chain are taken into account, the criteria for cut-off appear to be quite subjective and not applied in a consistent manner (Schepers & Sethi, 2003).

Because of the difficulty of basing ethical choices only in negative criteria, some funds have adopted positive screening as a strategy. This consists of the selection of a set of attributes on which corporations are evaluated for their desirability or acceptability as SRI vehicles. As with negative criteria, there is a great deal of variation between funds in the application of attribute selection. Positive screening is for now applied in small amounts in comparison to the overall institutional market or even to the pension funds market in Europe (European Sustainable and Responsible Investment Forum, 2012).

It must be added that, quite often, both negative and positive criteria are applied only to corporations that have been "pre-screened" to exclude companies that do not meet an SRI fund's standards for financial performance. In other words, socially responsible conduct, in the absence of an acceptable level of financial return, fails to merit consideration. This may result in the exclusion of firms striving to become ethical role models (Schepers & Sethi, 2003). There is a cost to business ethics: better employment conditions, compliance with environmental regulations and community involvement represent additional expenses for companies. If investors do not reward this behavior, there may be little incentive to follow these higher standards of conduct.

A third screening method is "Best-in-class selection" (Taylor, 2001). This strategy is used to maintain flexibility in sectoral considerations in making investment choices. This approach considers companies suitable for SRI investment on a relative basis, that is, among companies in a similar industry (Taylor, 2001). Best-in-class selection does not exclude any sector on ethical grounds, but only the company with the best social and environmental standards is considered adequate for investment. Thus, all sectors are represented in a best-in-class SRI portfolio, even those like tobacco that have traditionally been excluded from SRI funds.

Depending on the strictness of the investment criteria, the European Social Investment Forum (EUROSIF) classifies SRI funds as dark green, medium green, or light green. This differentiation provides funds that appeal to diverse segments of the population. In my case study, the managers run funds with different shades of green. Their dark green investment was created in 1999 with vegetarians and animal rights campaigners in mind, and has led several NGOs to invest their pension plans in this fund.

The life science sector again provides an example of how the fund managers run investments with different criteria. The fund I studied uses two screening filters that strongly affect bioscience companies: animal testing and genetic modification. While the dark green fund automatically excludes companies that have conducted animal testing within the past five years, the other funds focus on the companies' objectives and considers animal testing acceptable if it saves lives and improves quality of life. Thus, the same manager may make different decisions about what is considered ethical when managing different funds.

Contrary to the fund in my case study, the FTSE4Good, as well as the other SRI indexes, do not consider animal testing and genetic modification as negative criteria. This shows that it is possible to construct an "ethical portfolio" without necessarily being prejudicial against life science companies. Social and environmental criteria, community involvement and human rights could be consistently applied across economic sectors, thus favoring corporate responsibility and allowing for better diversification in SRI portfolios.

A second major concern for ethical funds is genetic modification (GM). The controversy in Europe over GM crops has raised public awareness about modern food production. This atmosphere has helped to galvanize the public into looking at ethical investment – if you won't eat GM foods, why should you invest in the companies that are responsible for producing them (Reynard, 2002)? EIRIS has produced a background paper on genetic engineering and biotechnology intended as a guide for investors, thoroughly presenting the pros and cons of several technologies like stem cells, cloning, genetic modification, xenotransplantation, etc. (EIRIS, 1998). However, the paper may lack academic rigor. My own analysis showed that none of the 80 references cited were scientific papers or peer-reviewed publications—in fact, 23% of sources were newspapers, while the rest came from publications by Oxfam, Gene Watch, Physicians and Scientist against GM Foods and other NGOs, which obviously have a particular agenda. Given this failure of objectivity on the part of EIRIS, investors may have reasons to distrust the procedures and analysis on which portfolios are based.

CONCLUSIONS AND RECOMMENDATIONS

The lack of transparency and objectivity on the part of SRIs directly affects investors' abilities to make informed choices. Institutional and individual ethical investors are entrusting the SRI funds with the screening process to obtain objective assessments of a firm's practices (Russo & Mariani, 2013). The investors likely believe that the fund managers have engaged in exhaustive, responsible research to select the best portfolio, as would be the case with other non-SRI funds. Yet, most funds use EIRIS services and databases, and the application of ethical criteria is incoherent, inconsistent and not transparent.

From a company's perspective, this lack of transparency and consistency is discouraging, as firms may be unable to implement the changes that SRI funds demand if they cannot find out the SRI's concerns about the company's operation. Moreover, are these concerns genuine or are they simply the "ethical flavor of the month" or an echo of particular NGOs' campaigns?

This situation presents a threat, but also an opportunity, for companies. If "ethical" funds do not engage companies and academia in their research, they are reinforcing the public perception of some industries as undesirable and unethical. "Ethical funds" can have an educative role, and research published by these funds could go some way to improving knowledge and debate about contentious ethical issues in the general public. Companies could use this as an opportunity to explain their aims, activities, and technologies to a wider audience, by using what I propose as a "co-engagement" approach. Ethical funds have been using "engagement" practices to convince companies of the importance of particular ethical criteria. It is time for companies to explain the reasons for using certain technologies and research strategies, as well as the benefits they can provide. Ethical funds could be a valuable tool in this public relations exercise.

The agenda of sustainability, responsibility and ethics has now become business critical. As a result, there is considerable risk for companies in taking a *laissez fair* approach, hoping that expectations of responsible business practice are peripheral or a passing phase. In the short term, the impact of SRI may come in the form of more pressure for corporate responsibility, transparency and disclosure. From a financial perspective, managers should care about the possible effect of SRIs in reducing the base of investors and its negative impact on stock prices. Firms have an incentive to seek to be screened into SRI portfolios, and avoid being screened out. This has become more important due to regulation of investment criteria for pension funds, insurance companies and charities. As mentioned earlier, these funds control 40% of the assets invested in ordinary shares and it could be very risky for any company to be regarded as inadequate for investment by SRIs.

This control of a large sum of assets and the connotations of using the "ethical" label should imply certain obligations on the part of SRI funds. First, they should show consistency in portfolio selection. The criteria for defining exclusionary screens are not only seriously flawed in terms of their underlying rationale, but also in their indiscriminate and uneven application. Transparency is a second obligation that most ethical funds have not fulfilled. The criteria used and the sources and methods involved in the selection process should be in the public domain. SRI funds should justify their stance in any issue, and should explain the evidence they have used and the reasoning adopted. This disclosure is in accordance with the transparency they demand from companies. In the absence of regulation of the "ethical" label, the only tool the public has to determine the "ethicality" of a fund is evaluation of the data it discloses.

This raises again the issue of what is "ethical" and who has the right to take the moral high ground. If governments do not regulate the use of the "ethical" label, as it has done to some extent (and in conjunction with industry associations) with "low fat" or "organic," then ethical funds themselves have an obligation to clearly and openly determine the rules for a fund to be marketed as ethical. These rules should include disclosure of investment criteria, position papers, sources of information, complete portfolios, and deliberations on particular sectors and companies. Another set of rules must deal with the constitution and procedures of advisory committees, including balanced representation of companies, academia, and NGOs; disclosure of the affiliation of members in these committees, and establishment of procedures for companies to present their case and achievements in social, environmental and community issues.

Further research is needed to clarify the effect on valuation of inclusion/exclusion in SRI portfolios and the impact of a reduced investor base. Likewise, the results of inclusion in ethical indexes on company stock price could provide a valuable insight into the organizational performance effects of SRI. It is also important to expand this study to include more SRI funds and to gather longitudinal data on the effect of inclusions in SRI funds, as socially responsible investors tend to have long investment horizons (Stefan & Paul, 2008).

Business ethics and corporate responsibility are values that society should demand from all companies alike. But the advocates of these principles are not themselves exempt from their application. The increasing political and financial power of SRI, pose an obligation of fairness and transparency onto ethical funds. So far, the positions of some SRI raters – on which a large number of investments are based - are not based on rigorous, balanced moral reasoning. This case study has examined their sources of information, decision-making process and current investments, and shown that there is an uneven application of "ethical" criteria, which were constructed on biased opinions in the first place. The time is appropriate to open a truthful, clear dialogue between SRI funds, rating organizations, and companies.

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PERSONALITY PROFILES OF "UP-AND-COMING" BANK LEADERSHIP: BEFORE AND AFTER THE FINANCIAL AND BANKING CRISES OF 2007-2011

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ABSTRACT

This study takes inventory of the personality profiles of two large samples of "up-and-coming" bank leaders represented at two respected banking schools in the South. These bankers are of great importance in their banks and represent future senior leadership of their respective institutions—largely regional and community banks. Of interest was their dominant personality profiles and functional backgrounds, as well as the contrasts between the LSU sample of 607 taken in the 1993-1998 time frame and the Alabama sample of 227 taken during the 2009-2012 time frame, after the dramatic series of banking and financial crises during the latter part of the last decade. Major findings include that bankers in both eras are largely sensing, thinking, and judging in nature. In the latter sample, it was revealed that bankers had converged even more toward this STJ style, had become more introverted as a group, with more homogeneity of personality observed.

INTRODUCTION

Bankers are asked to perform a variety of tasks aimed at maintaining and improving the level of safety, soundness, compliance, and overall success in their organizations. Banks are complex organizations with many different types of individuals influencing the culture and ultimate success of each institution (Bantel & Jackson, 1989; Verschoor, 2011; Kanas, 2013). While individual success in a certain field like banking or certain functions within banking is a complex and multi-faceted outcome, researchers in the fields of psychology and business management have shown over the years that personality, natural propensities and tendencies in thought processes and behavior, is a very important determinant of individual success in key managerial positions over the long haul (Barrick & Mount, 1991; Gardner & Martinko, 1996). It is valuable to understand the personality profiles of those who are in positions of importance in their banking institutions but are also on the upward track in the organization and are likely candidates to be in the senior, policy-making leadership positions within the next five to ten years. As the banking environment continues to change, it seems reasonable to ask how well-suited these "up-and-coming" bankers are to guide their departments, divisions, and especially institutions into a much different banking industry.

To this end, in this study we take a look at the personality profiles of successful and "up-and-coming" bank leaders across a wide variety of functional areas. The samples for this study are hundreds of students over several classes at two leading banking schools located in the South.

Banking school students are already very successful and important bankers in their institution and represent the future strategic leadership of their respective banks. Decisions on which members of the organization to send to banking school are made at the highest levels of the organization and the board is often given input into these decisions. The fact that these individuals are so well thought of as to be sent to banking school gives us some insight as to the focus and concern of current senior decision makers in banks. It gives us a glimpse into the culture and strategic direction of the banks themselves. It is compelling to gain understanding of the types of individuals being sent to banking school, and in whom the future hopes and success of the organization will be entrusted.

Also of great interest in this study is whether broad and sweeping changes to the nature and focus of the banking industry influence the observed personality profiles of up-and-coming bank leadership (banking school students). In this study, we are especially interested in whether the revolutionary and catastrophic industry events of the past several years have impacted the personality profiles of banking school students. Banking has been bombarded with an incredibly challenging, tumultuous, and disconcerting shift in the entire banking paradigm. Banks, especially smaller community and regional banks, were greatly influenced by the real estate calamity of the mid-decade, the financial crisis of 2008, the Great Recession of 2008-2009, the increased regulatory, safety, and soundness scrutiny during the 2009-2012 timeframe, the passage of Dodd-Frank in 2010, and a number of other influential events (Verschoor, 2011; Bugalla, Kallman, Lindo, & Narvaez, 2012; Herring, 2010). Therefore, in this study we look for contrasts between banking school students from two very different eras: before and after the tumultuous first decade of the 21st century.

First we observe banking school students during the mid to late 1990's when geographic and product expansion, business development, innovation, marketing, asset growth, and aggressive development of the institution were of central importance. Bank regulation and scrutiny during this timeframe was not especially burdensome or onerous. Many institutions grew very rapidly, were extremely competitive, and many were involved in merger and acquisition activity. New and innovative products and services proliferated. There was also a fair amount of *de novo* activity (new banks started and grew rapidly) (Herring, 2010; Fortin, Goldberg, & Roth, 2010).

We then observe a sample of banking school students during the post-2008 (2009-2012) time frame when heightened safety and soundness concerns, added scrutiny and pressure from regulators, deleveraging of the balance sheet, asset collection and recovery, heightened lending standards, risk management, capital preservation, and overall conservatism are front and center in terms of importance and focus. Regulatory demands during this more recent era have been especially challenging and onerous. *De novo* activity has been curtailed greatly, loan growth has been much less aggressive, profit levels have fallen, and many banks have actually shrunk in an effort to boost capital levels (Guglielmo, 2010; Khorana & Perlman, 2010; Fortin, et al., 2010). Of primary interest will be whether any differences in personality profiles exist as a result in this "about face" in banking focus. We also will be interested to see if changes can be noted in the functional backgrounds of banking school students. We must also ask whether the personality profiles of bankers, especially considering any changes noted, are particularly well-suited for the emerging banking competitive environment of the next 10 years.

Our three major research questions in this effort are as follows:

1. What is the predominant personality profile of successful bankers engaged as students in banking school? What types of variation do we recognize across functional areas?
2. What types of bankers are being sent to banking school by their institution's senior leadership? What is the profile of the respondents in terms of their functional background?
3. What impact did the financial and banking tumult experienced during the 2007-2011 timeframe have on the personality profiles of successful bankers engaged as banking school students? Do we recognize any differences in personality when compared to profiles of banking school students from the earlier era? Further, do we notice any differences in the functional backgrounds when comparing the more recent sample with that of the earlier era?

BACKGROUND

An individual's personality is a unique combination of emotional, thought, and behavioral patterns that affect how a person reacts to situations and interacts with others. The importance of personality lies in the fact that it is the central determinant of a person's natural propensities and tendencies: the choices one makes, the situations in which one places oneself, the way one views the world and deals with other people, and the way one makes decisions. Although personality can be overpowered by situational variables which can cause people to behave in ways inconsistent with their "true selves," over time the natural tendencies steered by personality will hold powerful sway over behaviors and greatly influence one's ultimate success in a job environment (Bennett, Pietri, & Moak, 1998; Meyer, Dalal, & Bonaccio, 2009; Saari & Judge, 2004). Research over the years has also shown that person-job fit is very important in determining such outcomes as job satisfaction, turnover, performance and promotion, stress levels, and other important outcomes (Saari & Judge, 2004; Barrick & Mount, 1991).

Few industries have seen more revolutionary change than the banking industry. While people are likely more aware of the new banking laws and more onerous and demanding regulatory standards, there has also been tumultuous change in terms of product delivery, marketing methods, organizational structure, mergers and consolidation, and overall culture and focus (Guimaraes, Brandon, & Guimaraes, 2010; Morris, 2011; RMA Journal, 2010). Traditional banks have been in a much more defensive and risk-averse posture in recent years and one would expect a different focus from the leadership and future leadership of the institutions (when compared to the earlier era) (Verschoor, 2011; Daving, 2010). The emerging banking environment of the next decade will also include a new group of non-traditional providers of financial services including innovative companies like Google, Apple, American Express, Wal-Mart, larger insurance companies, large brokerages, and on-line providers. In changing banking environments of the 21st century, traditional banks will need differing personalities, backgrounds, and viewpoints to foster divergent and innovative products, services, methods, and processes. Diversity in viewpoint, background, and ways of thinking is certainly a generator of new ideas and innovations (Eisenhardt, 1989; Bantel & Jackson, 1989; Bradley-Geist & Landis, 2012; Bennett, et al., 1998). A worthy question involves whether this diversity of style and viewpoint exists in the traditional banking industry today.

DESCRIPTION OF THE STUDIES AND THE MYERS-BRIGGS TYPE INDICATOR

A first step to a better understanding of bankers in today's banking environment is to learn about the personalities of successful "up-and-coming" bankers within the various bank functional areas. Several years ago, we surveyed over 600 banking professionals who had attended the Graduate School of Banking at Louisiana State University between 1993 and 1998. The GSB at LSU is an intensive residential program where established bankers from approximately 20 states primarily in the Southeastern U.S. gather for two weeks in May each of three years. In addition, in 2012 we surveyed over 200 bankers who had participated in the Alabama Banking School (ABS) between 2009 and 2012. ABS is also an intensive three-year residential program but bankers are on campus for one week in July each of the three years. The bankers who attend the Alabama Banking School are usually a bit younger and a bit earlier in their careers than those who attend the Graduate School of Banking at LSU. It is not uncommon for a student to graduate from ABS and then later attend GSB. Students enrolled in the GSB either are already members of senior management or are almost certain to attain senior management rank in the future. Most of the students at ABS go on to senior management positions within their banks but many attain such positions as functional leaders or local market leaders in their respective institution. Almost all of the students at these two schools are from either community banks or regional banks. One would find that members of the top management teams of most community and regional banks around the country have graduated from these very schools or schools very similar to these.

Uncovering the personality profiles of these bankers gives us some indication as to the necessary personality profiles for success in the banking industry. In the LSU sample of 607, 32 (5%) were either President, CEO, or Regional President of their institution but another 412 (68%) had reached the rank of assistant vice president or higher. At LSU, the median age range was 35-39 and males constituted 80% of the sample. In the Alabama sample of 227, only 2 (less than 1%) were President, CEO, or Regional President, but another 89 bankers (39%) had reached at least assistant vice president in the institution. The median age range for ABS was 25-29 and males constituted 62% of the sample, which is a smaller percentage when compared to the LSU sample. It seems evident in the last 10 to 15 years that women are becoming more and more important in leadership of the banking industry.

We used the 55-item abbreviated version of the Myers-Briggs Type Indicator (MBTI) to determine the personality types of these successful bankers. Rooted in the personality theories of psychologist Carl Jung, it is today perhaps the most popular framework for leadership and interpersonal relations training, team building, career counseling, and personnel assessment, among other uses (Gardner & Martinko, 1996; Ahmed, Hasnain, & Venkatesan, 2012). It is estimated that over 2 million people in the U.S. alone take the MBTI annually (Robbins & Coulter, 2014). As a research tool for understanding individual differences, the MBTI framework has become recognized in business circles over the past three decades. While the validity of

MBTI as a description of personality traits has been called into question, most experts are in agreement that the MBTI is a very useful tool for describing and understanding the important personal styles of managers in a complex business setting (Ahmed, et al., 2012; Bradley-Geist & Landis, 2012; Gardner & Martinko, 1996).

The MBTI model describes people in terms of 4 dimensions: Introvert vs. Extrovert, Sensing vs. Intuition, Thinking vs. Feeling, and Judging vs. Perceiving. Every individual, then, is viewed as possessing some combination of the four dimensions, resulting in sixteen possible combinations (Briggs-Myers, 1980a; Quenk, 2000). The various personality characteristics associated with these four dimensions in work-related behavior are described in Table 1.

TABLE 1: PERSONALITY TYPES IN BANKING

Introversion: Very careful with details and dislike general or sweeping statements. Do not mind working for long periods on a very few projects. Like quiet and dislike intrusions and interruptions. Like to think and consider options before acting. Work contentedly alone. Often have trouble communicating.
Extroversion: Are good at greeting and communicating with people. Seek people out and enjoy being around other people. Can be impatient with long, slow jobs or tasks. Get impatient with details. Like great variety and action.
Sensing: Enjoy standard solutions and established ways of doing things. Observe using the senses and don't go beyond what is observable and factual. Are prone to reach solutions or conclusions through a step-by-step process. Are very patient with routine and details. Don't seek inspirations or hope; they instead focus more on the facts. Good at precise work. Seldom make errors of fact.
Intuitive: Enjoy solving new problems. Dislike routine and repetition. Work in bursts of energy and enthusiasm but with slack periods as well. Reach conclusions quickly, often without patience. Follow their inspirations and have a very strong "sixth sense" or gut feeling. Dislike taking time and precision.
Thinking: Like analysis and logical order. Good at making "cold" judgments without allowing feelings or people's wishes to enter into the decision. Tend to be firm-minded and resolute. Can hurt people's feelings without knowing it or thinking about it. Can decide impersonally based on strict criteria. Decisions are often "black and white" without much "gray" area.
Feeling: Very aware of others and their feelings. Enjoy pleasing people and dislike disappointing people. Often allow personal feelings and wishes and those of others to enter into decisions. Tend to be very sympathetic and empathetic. Often avoid difficult decisions if they may hurt others.
Judging: Enjoy closure and getting things done and settled. May not notice new things that need to be done due to their focus on current tasks. Eager to get to work and can get started with few details. Have a need to reach a judgment on issues, situations, people, etc. Can have strong opinions formed very quickly, often without patience. May dislike interrupting a project to work on another project.
Perceiving: Do not mind leaving things open and unsettled. Adapt well to changing situations. Can start a number of projects without reaching closure. Can have trouble making decisions. Will veer away from established patterns or standard practice in order to consider other decision input or changing conditions. May postpone decisions with uncertainty or an unpleasant element.

The Introversion vs. Extroversion dimension reflects an individual's orientation toward their own internal world versus the outer world of activities and interaction with other people (Briggs-Myers, 1980b). Introverts (I) are comfortable with the inner world of ideas, thoughts, and concentration. They enjoy and are energized by being alone and "within themselves." Too much interpersonal and outside interaction can drain their energies. Extroverts (E), on the other hand, are energized by intense interaction and communication with others. They are attuned to the culture, people, and things around them. They are outgoing, interested in variety, and enjoy working with other people. They lose energy when alone and are attracted to social activities and communication opportunities as a means of re-energizing (Quenk, 2000; Briggs-Myers, 1980b).

In the general population in the United States, about 70% are extroverts (Briggs-Myers, 1980a). Perhaps it is surprising that to learn that these bankers seem to be much more introverted as a group than the general population. In the earlier LSU Graduate Banking School sample, about 56% were extroverts whereas about 44% were introvert. In the more recent Alabama Banking School sample, about 46% were extroverts versus about 54% introverts.

The Sensing versus Intuition dimension reflects the two distinctly different approaches to the way individuals gain insights from the mass of data that surrounds them (Briggs-Myers, 1980b). One way is through the five senses. According to Myers-Briggs, people who rely primarily on Sensing (S) tend to be practical, realistic, good with facts and standards, and patient with routine. Conversely, those who rely on intuition (N) have the ability to know things without the use of rational thinking processes. They read beyond the observables and often rely on instinct and “gut feelings.” They tend to be more abstract, conceptual, “big picture” oriented, and patient in complex and non-routine situations (Briggs-Myers, 1980a). In the LSU sample, about 73% were sensing while about 27% were intuitive types. In the Alabama sample, about 75% were sensing whereas about 25% were intuitive. This breakdown of sensing vs. intuitive at both schools approximates the profile of the general population, about 70% sensing vs. 30% intuitive (Quenk, 2000).

The Thinking versus Feeling dimension reflects the two basic ways individuals evaluate data to draw conclusions and make decisions (Briggs-Myers, 1980b). A thinker (T) relies upon logical, rational, and objective reasoning processes. They tend to be skillful in dealing with matters that require logic, objectivity, and impartial examination of facts. To a thinker, the facts are the facts and the logical decision clearly flows from an impartial examination of the observable facts. A feeling (F) person places more weight on human values and emotions. They are skillful in dealing with the people factor. They are effective in identifying, understanding, and displaying sensitivity to the emotional sides of an issue and often take a very diplomatic approach. They tend to allow more personal information about a situation to enter into the decision process (Briggs-Myers, 1980a). Males tend to be more thinking types (60%) whereas females tend to be more feeling types (60%) (Briggs-Myers, 1980b). Bankers are clearly more thinkers than feelers. In the LSU sample, 72% were thinking types whereas 28% were feeling types, perhaps somewhat reflective of the larger male percentage. It is interesting that despite the significantly larger percentage of females in the newer Alabama sample, even more respondents (76%) were thinking types whereas 24% were feeling types.

The Judging versus Perceiving dimension describes one’s preferred way of relating to life and its activities (Briggs-Myers, 1980b). Judging (J) indicates a preference toward managing one’s world. Individuals oriented this way like to get things finished and settled and are relatively quick to reach closure about issues or judgments. Judging types like to structure their lives and dislike having too many “loose ends.” They like order and predictability. On the other hand, perceiving types (P) try to flow with one’s world. They like to explore more options and like to keep all options open as long as possible. Perceiving types prefer to address situations as they occur rather than planning responses in advance. They are more likely to resist structure and order (Briggs-Myers, 1980a). In the general populations, J’s and P’s are split about evenly (Quenk, 2000). Bankers seem to fall more decidedly on the side of judging. In our LSU sample, 65% were judging types whereas 35% were perceiving types. In the Alabama sample, 66% were judging types whereas 34% were perceiving types.

THE MBTI AND OCCUPATIONAL CHOICE

People tend to gravitate toward occupations that are consistent with their profile (Barrick & Mount, 1991). Banks are seeking, hiring, and promoting certain types that fit the preferred profile for high performance in certain functional areas within banking. There is no doubt attractiveness of certain jobs varies in relation to personality type. So what are the overall findings of personality influencing job choice and person-job fit? While the Extrovert-Introvert and Judging-Perceiving dimensions are very important to our discussion, Myers-Briggs literature reveals that occupational choice and fit is most influenced by the sensing versus intuition dimension (S vs. T) and the thinking versus feeling dimension (T vs. F) (Gardner & Martinko, 1996; Quenk, 2000; Briggs-Myers, 1980a).

Sensing types are drawn to positions that offer structure and deal with a constant stream of facts such as accounting, auditing, data processing, and financial analysis (Quenk, 2000). Intuitive types are attracted to occupations which enable them to examine possibilities and allow much latitude in dealing with them. Intuitive types seek out occupations where unconventional wisdom and complex understanding of numerous variables are required. Researchers, scientists, artists, and musicians are more likely to be intuitive types. Thinkers (T) are more attracted to work that is impersonal and deals with processes or things, such as information systems, production, or engineering. They prefer well-defined, objective, and impersonal work demands. Feelers (F) enjoy work that requires successful understanding of and empathy toward others, such as sales, nursing, or teaching positions (Quenk, 2000; Briggs-Myers, 1980b).

In the LSU sample from the 1990s, 55% of respondents were sensing/thinking, 18% were sensing/feeling, 10% were intuitive/feeling, and 17% were intuitive/thinking. In the Alabama sample from more recent years, 59% were sensing/thinking, 16% were sensing/feeling, 8% were intuitive/feeling, and 17% were intuitive/thinking. We see overall that bankers from both samples are very fact-oriented, logical, resolute, impersonal, careful, process-oriented, structured, detailed, and precise. One could perhaps argue that the more recent Alabama sample reflected this profile even more-so, following several years of tumult and a paradigm shift in which the industry demanded even more care, defensiveness, conservatism, and risk-management.

Although the above two dimensions seem most important in job selection and success, the introversion-extroversion (I vs. E) and judging-perceiving (J vs. P) dimensions are also of interest. Extroverts are naturally drawn to and excel in jobs dealing with other people and the public in general. Introverts are drained by interpersonal activities, but energized by time spent alone in thought and reflection. Researchers have observed that sales, marketing, administration, customer-service, and politics calls for extroversion while analysts, computer programmers, craftsmen, authors, artists, and scientists tend to be introverts. Judgers prefer to have settled, hard and fast solutions to problems. They prefer to reach closure on matters before moving along to other matters. Those who are perceiving types adapt well to changing situations and demands, may have trouble making decisions and reaching closure, may have numerous activities going at once, and tend to be curious and open to alternatives and differing environments (Gardner & Martinko, 1996; Briggs-Myers, 1980b). The J vs. P dimension has special implications to determining one's flexibility, openness, and creativity (Bennett, et al., 1998; Ahmed, et al., 2012). In the world of banking these days, it seems more and more important to have perceiving types involved in the profession.

BANKERS ARE PRIMARILY SENSING, THINKING, AND JUDGING TYPES

Tables 2 and 3 detail the results of our studies. Table 2 reveals the findings within the Graduate School of Banking at LSU in the 1990's while Table 3 reveals the findings from the Alabama Banking School in more recent times.

TABLE 2: 1993-1998 SAMPLE, GRADUATE SCHOOL OF BANKING AT LSU (N=607)

ISTJ N=135 (22.3%)	**ISFJ** N=37 (6.1%)	**INFJ** N=9 (1.5%)	**INTJ** N=20 (3.3%)
ISTP N=34 (5.6%)	**ISFP** N=11 (1.8%)	**INFP** N=11 (1.8%)	**INTP** 11 (1.8%)
ESTP N=51 (8.4%)	**ESFP** N=26 (4.3%)	**ENFP** N=30 (5%)	**ENTP** N=40 (6.6%)
ESTJ N=113 (18.6%)	**ESFJ** N=37 (6.1%)	**ENFJ** N=12 (2%)	**ENTJ** N=30 (5%)
Sensing/Thinking N=33 (54.9%)	**Sensing/Feeling** N=111 (18.3%)	**Intuitive/Feeling** N=62 (10.2%)	**Intuitive/Thinking** N=101 (16.6%)

ALL	**Mktg/Cust Serv. Branch** **N=141 (23.2%)**	**Credit/Lending** **N=335 (55.2%)**	**Ops/Deposits Accounting** **N=83 (13.7%)**	**Other** **N=48 (7.9%)**
Introvert=268 (44.2%)	**I=48 (34.0%)**	**I=151 (45.1%)**	**I=47 (56.6%)**	**I=22 (45.8%)**
Extrovert=339 (55.9%)	**E=93 (66.0%)**	**E=184 (54.9%)**	**E=36 (43.4%)**	**E=26 (54.2%)**
Sensing=442 (72.8%)	**S=91 (64.5%)**	**S=255 (76.1%)**	**S=66 (79.5%)**	**S=30 (62.5%)**
Intuitive=165 (27.1%)	**N=50 (35.5%)**	**N=80 (23.9%)**	**N=17 (20.5%)**	**N=18 (37.5%)**
Thinking=434 (71.5%)	**T=94 (66.7%)**	**T=247 (73.7%)**	**T=52 (62.7%)**	**T=41 (85.4%)**
Feeling=173 (28.5%)	**F=47 (33.3%)**	**F=88 (26.3%)**	**F=31 (37.3%)**	**F=7 (14.6%)**
Judging=393 (64.7%)	**J=86 (61.0%)**	**J=217 (64.8%)**	**J=63 (75.9%)**	**J=27 (56.3%)**
Perceive=214 (35.3%)	**P=55 (39.0%)**	**P=118 (35.2%)**	**P=20 (24.1%)**	**P=21 (43.8%)**

In the LSU sample, we found that the most common personality type included extrovert (55%), sensing (73%), thinking (72%), and judging (65%). About 55% of respondents were sensing/thinking types. The strength of this profile combination is reflected in the fact that of the 16 possible type combination, the two most common profiles were ISTJ (23%) and ESTJ (18%). Just over 40% (approximately 250) of the 600 plus respondents were sensers, thinkers, and judgers. Despite this dominance, a wide range of types existed among these bankers, with all 16 combinations represented. This reflects the variety and diversity of functional specialties within banking.

TABLE 3: 2009-2012 SAMPLE, ALABAMA BANKING SCHOOL (N=227)

ISTJ N=57 (25.1%)	**ISFJ** N=13 (5.7%)	**INFJ** N=4 (1.8%)	**INTJ** N=15 (6.6%)	
ISTP N=16 (7.0%)	**ISFP** N=5 (2.2%)	**INFP** N=5 (2.2%)	**INTP** N=7 (3.1%)	
ESTP N=17 (7.5%)	**ESFP** N=9 (4.0%)	**ENFP** N=7 (3.1%)	**ENTP** N=11 (4.8%)	
ESTJ N=43 (18.9%)	**ESFJ** N=10 (4.4%)	**ENFJ** N=2 (1%)	**ENTJ** N=6 (2.6%)	
Sensing/Thinking N=133 (58.6%)	**Sensing/Feeling** N=37 (16.3%)	**Intuitive/Feeling** N=18 (7.9%)	**Intuitive/Thinking** N=39 (17.2%)	
ALL	**Mktg/Cust Serv. Branch**	**Credit/Lending**	**Ops/Deposits Accounting**	**Other**
	N=33 (14.5%)	**N=134 (59.0%)**	**N=30 (13.2%)**	**N=30 (13.2%)**
Introvert=122 (53.7%)	**I=14 (34.0%)**	**I=74 (55.2%)**	**I=47 (56.6%)**	**I=22 (45.8%)**
Extrovert=105 (46.3%)	**E=19 (66.0%)**	**E=60 (44.8%)**	**E=36 (43.4%)**	**E=26 (54.2%)**
Sensing=170 (74.9%)	**S=21 (63.6%)**	**S=110 (82.1%)**	**S=66 (79.5%)**	**S=30 (62.5%)**
Intuitive=57 (25.1%)	**N=12 (36.4%)**	**N=24 (17.9%)**	**N=17 (20.5%)**	**N=18 (37.5%)**
Thinking=172 (75.8%)	**T=20 (60.6%)**	**T=109 (81.3%)**	**T=52 (62.7%)**	**T=41 (85.4%)**
Feeling=55 (24.2%)	**F=13 (39.4%)**	**F=25 (18.7%)**	**F=31 (37.3%)**	**F=7 (14.6%)**
Judging=150 (66.1%)	**J=21 (63.6%)**	**J=95 (70.9%)**	**J=63 (75.9%)**	**J=27 (56.3%)**
Perceive=77 (33.9%)	**P=12 (36.4%**	**P=39 (29.1%)**	**P=20 (24.1%)**	**P=21 (43.8%)**

In the Alabama sample, we found that the most common personality type included introvert (54%), sensing (75%), thinking (76%), and judging (66%). Nearly 59% were sensing/thinking types. Among the 16 four-letter combinations, ISTJ (25%) and ESTJ (19%) were most common, totaling about 44% of the 227 respondents. We recognized similar diversity among respondents, although the newer Alabama sample reflected a stronger convergence on the STJ type originally found in the LSU sample, we feel a reflection of the paradigm shift associated with the demands and challenges of the banking environment in recent years.

Extrovert vs. Introvert

Looking more closely at the results, we find that in the LSU sample there were more extroverts (56%) than introverts (44%), with only the category of operations, deposits, and accounting having more introverts (57%) than extroverts (43%). The function of marketing, customer service, and branch management was most clearly extrovert with 66%. In credit/lending and "other" functions, respondents were only slightly more extroverted in number (roughly 54% in both). In the Alabama sample, by contrast, there were more introverts (54%) than extroverts (46%). Operations, deposits, and accounting had an even larger percentage of introverts (63%) versus extroverts (37%) when compared to the earlier LSU sample. Credit and lending also had more introverts (55%) than extroverts (45%), which is in sharp contrast to the LSU sample where the opposite was found. Marketing, customer service, and branch operations were decidedly extroverted (66%) as opposed to introverted (34%).

Sensing vs. Intuition

In the LSU sample, 73% were sensing while 27% were intuitive. In all functional areas, we found a larger percentage of sensing types with the largest difference being in credit/lending and operations/deposits/accounting. Both of these functional groupings had sensing types nearing 80% of respondents. In the Alabama sample, 75% of all respondents were sensing types while 25% were intuitive. Credit/lending and operations/deposits/accounting were more decidedly sensing when compared to the LSU sample. In both categories, well over 80% were sensing types. The "other" category includes things like human resources, IT, security, and executive assistants and was slightly more intuitive at 53% versus sensing (47%).

Thinking vs. Feeling

In the LSU sample, 72% were thinking types while 29% were feeling types. All functional areas had a larger percentage of respondents as thinking types. An even larger proportion of Alabama banking school respondents were thinking types (76%), with credit/lending and operations, deposits, and accounting classifications both having over 80% of respondents reporting to be thinking types.

Judging vs. Perceiving

In the LSU sample, 65% were judging types while 35% were perceiving types. All functions had more judgers than perceivers, although the operations/deposits/accounting area was most decidedly judging at 76%. The "other" classification had about 56% as judging types while 44% were perceiving. Similar results were found in the Alabama sample with 66% judging types and 34% perceiving types. Both credit/lending and operations/deposits/accounting had around 70% judging types.

It is clear from these results that the bankers being sent to banking school and who are and will be placed in leadership positions in traditional banks are largely sensing, thinking, and judging types. This profile was evident in both samples from two different eras of banking, and was evident even across very diverse functional backgrounds. This likely reflects the continuing perception of the behaviors and styles that are important to successful banking and in keeping with increased regulatory and industry demands: that decision makers must abide by very specific standards and procedure and need to be systematic and precise, patient with routine and detail, analytical and logical, and firm-minded and resolute. Further, bankers are viewed as needing to be orderly in getting into details, making decisions, and settling matters. They need to be able to make hard and fast decisions impersonally and need to be very focused as they deal with important matters as they arise.

We found it interesting that the more recent Alabama sample was composed of a larger percentage of introverts than extroverts. We think this is a most interesting and compelling influence of the very difficult banking environment in recent years. It seems reasonable to suggest that banks have become much more "internally focused" and defensive in terms of safety and soundness, risk management, deleveraging of the balance sheet, capital preservation, and management of existing assets. In earlier years, banks were more externally focused in terms of building business, innovating, winning market share, gaining new customers, cross-selling, expanding footprint, marketing, and overall balance sheet growth (Morris, 2011; RMA Journal, 2010). Now preservation and defense of bank assets (and capital) seems to trump growth of bank assets and market share.

FUNCTIONAL BACKGROUNDS AT BANKING SCHOOLS

We observed in both samples that the predominant functional background represented at banking schools was credit and lending. This is also where we saw the largest contrasts between the two samples and the most evidence that the focus and paradigm of banking has shifted. In the LSU sample, 55% of respondents were from the credit and lending function while in the more recent Alabama sample, very nearly 60% were from credit and lending. This is in keeping with the credit and lending function supporting the largest portion of the bank's balance sheet and earning assets. It is also a reflection on the fact that most of the troubles experienced by community and regional banks during the last several years have been related to credit and loan quality. Credit and lending are by far the most important elements in determining not only the earnings and performance of the bank but also the safety and soundness of the institution (Bugalla, et al., 2012; Morris, 2011; Kanas, 2013). Follow-up discussions with six bank presidents who sent students to banking schools as well as leaders of the Alabama Banking School indicated that banks were sending more credit analysts and loan administrative personnel than actual lending and relationship officers. Much more emphasis has been placed in banks on risk management, credit quality, and maintenance of the loan portfolio versus growth of the portfolio. These follow up discussion indicated that banks were sending more credit people to banking school than any other function. This revelation may also help to explain why even credit/lending (typically a means of asset growth and focus of marketing) was more introverted than extroverted in the more recent sample as more credit analysts are represented in the sample. Credit analysts are asked to perform very patient, careful work usually in a solitary manner, versus traditional lenders who tended to be much more externally and market-focused.

Further, larger percentages of the credit/lending respondents fell into sensing, thinking, and judging categories in the Alabama sample as opposed to the LSU sample. Obviously, credit analysis requires much different focus than lending and loan marketing and we observe an obvious shift in focus.

In the LSU sample, 23% of respondents were from marketing/customer service and branch operations while in the Alabama sample only about 15% of the respondents were from this functional area, perhaps reflecting slightly less emphasis in more recent years on growth, business development, and branch administration. Much of banking these days is conducted through electronic means such as on-line banking, electronic funds transfer and automatic drafts, and mobile banking. In the Alabama sample, a slightly larger percentage of respondents were from "other" categories, perhaps reflecting the proliferation of new functions and hybrid functions, an emphasis on having more functions represented in the middle to upper level of management, and the need to understand sound banking principles throughout the organization. We noted, for example, that the Alabama sample contained more IT specialists.

Using the four-letter combinations of personality, we found marketing/customer service and branch operations personnel in both samples to be predominantly ESTJ. Credit and lending personnel were largely ESTJ in the LSU sample but ISTJ in the Alabama sample. In the Alabama sample, we found much larger percentages of respondents falling into each of the other S, T, and J categories. Operations, deposits, and accounting personnel were largely ISTJ in both the LSU sample and Alabama sample. Operations, deposits, and accounting respondents in the Alabama sample were more decidedly Intoverts, Sensing, and Thinking. In the "other" category, LSU respondents were ESTJ whereas Alabama respondents were 50-50 on the Introvert-Extrovert dimension and largely NTP on the other three dimensions (though the contrasts in these dimensions were not great and all were very near 50-50).

PERSONALITY AND THE FUTURE OF BANKING

Certainly banks have very distinct functional areas which call for different personalities, but it seems clear from these two samples that those who achieve positions of bank leadership consistently exhibit fairly consistent management styles and personality profiles. We certainly see further convergence in this research of a personality profile greatly favoring sensing, thinking, and judging. Furthermore, in this most recent study of Alabama Banking School students we saw more predominant introversion rather than extroversion. In recent years, it appears that we have seen more convergence toward these traits and behaviors due to more emphasis on asset protection, risk management, capital preservation, and deleveraging of the balance sheet (Kanas, 2013; Bugalla, et al., 2012; RMA Journal, 2010).

Is this increasingly introverted, sensing, thinking, and judging personality best-suited for the future demands of the banking environment? While personality and behavioral tendencies are not the same as behavior, the ISTJ profile is usually associated with a tendency to adapt less quickly (Quenk, 2000). Will the traditional banker observed in these studies identify and adapt sufficiently to new and innovative solutions to opportunities and threats? ISTJs tend to prefer established and proven ways of doing things. They tend to be very factual, methodical, and less inspired. They enjoy using routine and skills already learned rather than stepping out and learning new skills. ISTJs are often firm-minded and are more analytically-oriented. They are more likely to be oriented on the short term than on the long term. They are not likely to show emotion and tend to be uncomfortable dealing with unstructured situations, especially those involving the feelings and desires of others. ISTJ's tend to plan their work, work their plan, and like to follow an orderly routine. They tend to be satisfied with their judgments on a decision and may not entertain or pay attention to additional information that could offer new and innovative solutions (Gardner & Martinko, 1996; Quenk, 2000; Bradley-Geist & Landis, 2012). In a changing and dynamic world of banking where new and innovative competition and new challenges are the rule, convergence and movement toward a more homogenous, mostly ISTJ leadership team, is perhaps a bit troubling.

Most other industries, including those attempting to compete head-to-head with the traditional banking model, have spent years and great resources fostering diversity, creativity, and relentless innovation. Companies like Google and Apple and even Wal-Mart, all of whom have introduced attractive and highly-threatening banking products in recent months, send their top talent each day on an inspired search for new and innovative solutions. New products and services are being introduced in the financial services industry at a time when bankers have been compelled to assume a defensive posture and become more internally focused rather than externally and customer focused. In the last six or seven years, innovation has not been a major priority among traditional banks (Morris, 2011). It seems that the personality styles of bankers are moving in the opposite direction of what may be necessary in the future, oriented more toward stability and the status quo rather than innovation and adaptability. The remarkable convergence we have seen in this study toward ISTJ reflects less diversity and more homogeneity, at least among the leaders and future leaders of community and regional banks in Alabama. While we recognize that results from the banking school of a single state have obvious limitations, it should be noted that Alabama is a relatively important banking state as it is the home of some rather large regional and super-regional banks such as Regions Bank and BBVA Compass.

Banking in the future, with non-traditional and new competitors presenting considerable challenges to the traditional way of doing business, will call for a "big picture" perspective. The future banking environment will call for excellent knowledge and analytical skills, but will also call for individuals who can look beyond tried and accepted approaches and services. Bankers will increasingly be called upon to be agents of change, with emphasis placed on new relationships, new products and services, new interactive methods, and increased understanding of customer demands (Bugalla, et al., 2012). With banking customers today less accepting of the traditional banking cultures of days past (and frankly turned off by bankers to begin with), banking increasingly calls for a strong sales orientation based on customer service and considerable understanding of an individual's needs (Daving, 2010; Morris, 2011). As customers demand innovation, convenience, creativity, flexibility, and customization, it could be argued that injection of more (rather than less) extroversion, intuition, feeling, and perception is demanded. Sensing, thinking, and judging (and to a lesser extent introversion) are certainly necessary traits in the traditional banking world, but bank leaders should set out to inject much more diverse personal styles into their groups, departments, and organizations.

Researchers in management have shown that decision teams benefit from the injection of diversity and differing perspectives, beliefs, and decision premises (Schwenk, 1995; Huber & Lewis, 2010; Bradley-Geist & Landis, 2012). Considerable research has demonstrated the virtue and value of varying personality, perspective, and experience (Prahalad & Bettis, 1986; Bradley-Geist & Landis, 2012). It seems imperative than major banking decisions and leadership in the future draw from a greater variety of personality profiles rather than the observed convergence and greater homogeneity observed in this study.

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COLLEGE STUDENTS AS MARKETING CONSULTANTS: WHEN DOES IT WORK?

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ABSTRACT

This paper uses a comparative qualitative analysis of pedagogical approaches in applied learning in business education—an approach where the student is a consultant to an actual business. The comparison consisted of dissecting the practice of embedding client-based projects, where college students serve as marketing consultants, in both undergraduate and graduate business courses at a liberal arts university. Student consulting projects allow participants to go beyond the concepts discussed in the college classroom—go beyond a class project and engage in problem-solving activities related to the marketing discipline content areas. These consulting projects take a number of forms: they may be individualistic or group-based; they may result from leads from interested companies or leads generated by the professor; or they may be specific in nature or integrative. The paper looks at two specific marketing courses and how students learn to consult with business clients. The underpinning of each of the two courses is the iterative approach to student learning. Students are expected to revise and resubmit their work until they have met the professors' expectations as set forth in the course.

INTRODUCTION

There is a move toward greater experiential learning on college campuses worldwide (Parsons & Lepkowska-White, 2009; Ames, 2006). Client-based projects have long been used as a pedagogical tool in the university environment. Such projects allow students to go beyond the concepts discussed in the classroom and to engage in problem-solving activities related to discipline content areas. These client-based projects take a number of forms: they may be individualistic or group-based; they may be developed from leads by interested businesses or by the professor; or they may be specific in nature or integrative.

This paper addresses the use of students as marketing consultants, learning to navigate interactions with a client and recommending a sound course of action. Here, two specific marketing courses are discussed; both use *student consultants*. The two marketing courses are an undergraduate capstone marketing planning course and an MBA marketing management course at the same university. Both courses involve groups of students developing comprehensive marketing plans for community businesses, organizations, and/or government entities. The course projects are integrative in nature. The underpinning of each of the two courses is an iterative approach to student learning where students revise and resubmit work until they have met the professors' expectations as set forth in the course. The professor takes on the role of advisor to each student team, not course lecturer. This paper examines differences in the approaches to developing student consultant marketing plans in graduate and undergraduate courses and explains the professors' rationale in choosing different pedagogical methods.

PURPOSE

The purpose of this comparative analysis is to provide a framework for others who wish to embed projects where students work, all semester long, as a consultant with one particular firm. The work is often intense as students learn to be consultants (interacting with business professionals, seeing inside a business, and creating sound strategy). There is nothing manufactured or simulated in these courses' projects. Clients present real problems and students engage in real problem solving, albeit from a marketing perspective. The professor must serve as an advisor to each student team, requiring a lot of contact with the student groups. Ultimately, the student marketing planning projects in both courses contribute to positive student learning. An additional advantage is the close relationship formed between the university and the business community, thus fulfilling the mission of the university and respective college in two critical areas: student learning and regional engagement. For students, a goal is to prepare them for professional projects when they enter their careers.

LITERATURE REVIEW

Client-based Projects

"Real world" projects, also known as client-based projects (CBPs), provide a fertile learning environment in which students apply their marketing knowledge to an actual client organization. This experiential or hands-on learning enables students to hone specific skills like problem-solving, critical and analytical thinking, oral and written communication, and teamwork.

Literature suggests that two keys to successful applied projects in the college classroom are multiple iterations of students' work and persistent feedback from the professor (de los Santos & Jensen, 1985; Haas & Wotruba, 1990; Razzouk, Seitz & Rizkallah, 2003). The iterative process, whereby students revise and resubmit their work, often necessitates multiple versions of a single section. This iterative process requires a considerable time commitment from the faculty member, who reads and prepares feedback, as well as from students who are required to improve upon their written work, i.e., organization of material, content appropriateness and sufficiency, and their written words. This time commitment to feedback is often perceived as overwhelming for many instructors, thus making them apprehensive about venturing into client-based projects.

The literature shows us that the benefits to professors of real-world or client-based projects are great and varied, they include:

- Facilitating active learning (Gremier et al, 2000; Razzouk, Seitz, & Rizkallah 2003; Heriot, Cook, Jones & Simpson, 2008)
- Fostering students' skill enhancement (Barr & McNeilly, 2002; Kennedy, Lawton, & Walker, 2001)
- Fostering greater student ownership in a class project (Eastering & Rudell, 1997)

The literature reflects many benefits for the students or student teams, which include:

- Increased motivation at the knowledge that their recommendations may impact an actual business (Fox 2002; Goodell & Kraft 1991)
- Enjoyment with the variety of project-related experiences, i.e., meeting with an actual client, survey creation and dissemination, etc. (Lee & Tuttle, 2004)
- Exposure to different business philosophies, marketing methods, and available budgets (Klink & Athaide, 2004)

While research is generally positive toward the inclusion of applied project pedagogy, there are some cautionary tales. A professor may mistakenly select a client that is unable to devote any time to the student team thus inhibiting the team's ability to understand its client's business. A "bad" client is one that may want to be "over-involved" or "under-involved" (Lopez & Lee, 2005). Furthermore a professor may inadvertently select a client project that lacks complexity—a project that is too simple will not challenge students and will not achieve course learning objectives.

Learning Goals

As classroom projects are crafted for many reasons, the achievement of learning goals, consistent with accreditation standards, is the benchmark. One must decide what program graduates should have the ability to do and such goals, might include:

- Communicate effectively, both in oral and written forms
- Work in teams, lead teams
- Develop innovative solutions to complex problems

- Adopt and use emerging technologies
- Show an awareness and understanding of ethical implications
- Provide sound strategic analysis based upon critical thinking and research
- Demonstrate competency in a discipline (marketing in this instance)

Team Projects

Cooperative learning produces higher achievement, more positive relationships among students, and healthier psychological adjustment than do competitive or individualistic experiences (Healey, 1988; Hernandez, 2002). Skills learned from team projects translate into the workplace, creating employees who can collaborate, share skills and knowledge, and communicate their ideas effectively. Industry is looking for students who have special skills such as accepting responsibility for their own learning and development and who have experience working as part of a group. According to Hernandez (2002), as organizations continue to decentralize decision making the ability to deal with today's complex and changing environment will require a greater reliance on teams. Instructors who effectively use group projects can link educational experience with workplace experience, thus improving their students' career opportunities.

Advantages to team projects:

- Assume leadership roles in a management environment (Schoenecker, Martell, and Michlitsch, 1997)
- Organize tasks to accomplish certain objectives
- Learn to navigate contextual issues (politics, operational considerations, budgets, etc.)
- Delegate, taking into account individual strengths and weaknesses of group members (Maranto & Gresham, 1998)
- Resolve conflicts (Blowers, 2002; Colbeck, 2000)
- Gather and analyze large amounts of data
- Distinguish relevant information from non relevant information as it relates to project objectives
- Solve problems (Schoenecker, Martell, and Michlitsch, 1997)
- Communicate ideas (Blowers, 2002; Colbeck, 2000)

In addition, group projects benefit from the "two heads are better than one" approach, recognizing the generally accepted rule of thumb that "people working in groups can accomplish more than people working individually" (Huff, Cooper, & Jones, 2002). Healey argues that such collaboration "produces higher achievement, more positive relationships among students, and healthier psychological adjustment than do competitive or individualistic experiences" (1988, p. 262). The skills developed in group projects translate well to the workplace, arming students with the tools they will need to be successful employees and managers, no matter what career they pursue (Reif & Kruck, 2001; Huff, Cooper & Jones, 2002).

Disadvantages to team projects include:

- Toxic conflict affecting outcomes (Reif & Kruck, 2001)
- "Free-riding" or social loafing off others' work (Brooks & Ammons, 2005)
- Team composition (Brooks & Ammons, 2005)
- Difficulty in grading individuals within a group (Lordan, 1996)

While challenges like grading persist, there exists greater overall benefit to a team approach to learning (Reif & Kruck, 2001). In grading, projects can be graded as a whole and each student in turn given the overall project grade or professors can make distinctions among individual student's contributions to the project's outcomes. Grading individually is problematic for professors because it is difficult to determine students' level of participation in the process (Kruck & Reif, 2001). Further, if the group is not well-balanced in terms of personalities and skills, it may be set up for failure. For example, a group consisting of all "leaders" or math whizzes is likely to impede progress and productivity. Finally, there are transaction cost implications for students that result from having to interact and collaborate with group members, such as time spent in scheduling and meeting as a group and in negotiating differences of opinion in formulating and writing up a group research project. This transaction cost challenge can be mitigated by allowing students in-class time for group work sessions (Lordan, 1996).

Pedagogy

A serious pedagogical issue is how much the professor becomes involved in the group process. Professors can direct how the project work is handled by setting guidelines for group interaction and/or providing a contract indicating how the group will function and what each member will do, sitting in on group meetings, requiring regular reports on group interactions, and requiring individuals to "grade" their group members on process issues such as cooperation, collegiality, timeliness, and conflict management. Alternatively, the professor can take a "hands off" approach to group issues and focus his/her participation in the process around content issues – providing generic outlines for the final paper, providing research assistance, and requiring regular reports on accomplishment of project objects (Parsons & Lepkowska-White, 2009; McCorkle, et al., 1999).

Professors' response to group problems should strike the delicate balance between letting students work out their own problems and stepping in to keep them on track (Lordan, 1996). To maximize students' successes, the instructor should establish clear objectives at the outset of the project. Setting objectives includes providing students with clear timelines and progress report requirements. The instructor should take an active role as team supervisor. To encourage group productivity and open lines of communication, the instructor should encourage student groups to develop psychological contracts, a set of expectations or rules specifying their functions in the group relationship (McCorkle, et al, 1999).

There are a few essential elements to successful implementation of formal cooperative learning groups: positive interdependence, individual accountability/personal responsibility, teamwork and group processing. Positive interdependence is when all group members benefit from the success of other group members. Students must believe they are linked together in a way that one cannot succeed unless the other members of the group succeed and vice versa. Ways of structuring positive interdependence include having common rewards such as a shared grade (reward interdependence) and task interdependence through division of labor (Smith, 2004).

Common ways to structure individual accountability include giving individual exams, using self and peer assessment, requiring individuals to provide the professor with his/her individual research, and calling on individual students to report on their group's efforts. Acclimation to group process can occur when students are provided instruction on group process considerations like groupthink, social loafing, emergent leaders, etc. Before choosing and implementing any formal cooperative learning strategy, several conditions should be evaluated to determine whether or not it is the best approach: there needs to be sufficient time available for students to work in groups both inside and outside the classroom; the task should be complex enough to warrant a formal group; and the instructor's goals should include the development of skills that have been shown to be affected positively by cooperative learning, such as critical thinking, higher level reasoning, and teamwork skills.

Student Consulting Teams

Self-selected groups have the potential for greater motivation and less conflict since it is likely that such individuals have worked together in the past (Parsons & Lepkowska-White, 2009; Reif & Kruck, 2001). However, students, consistently working together, can impede individual creativity and lessen a student's exposure to different ideas and perspectives. Kruck & Reif (2001) point out, "in the working world, most teams are not self-selected, instead they are assembled based upon skill inventories, historical performance, and individual availability" (p.42)

Lordan (1996) identifies three variables often considered in assembling groups—intellectual ability, degree of motivation, and interpersonal skills. The idea is to balance out the variables, creating a degree of equality within the groups. While agreeing that the first variable has some empirical support, Lordan (1996) characterizes the other two variables as highly subjective, making the process of balancing groups difficult at best. An alternative to equally balanced groups based on selected variables is to put hard working, motivated students together in groups and social loafers together in groups, allowing the first to work up to their potential and forcing the second to produce meaningful work. However, carefully selecting groups, no matter what the criteria, is not a magic bullet. Putting students together in groups, without proper supervision and advice, "does not, in and of itself, promote higher achievement" (Johnson & Johnson, 1990, p. 29). There is a more recent approach in higher education to forming groups by like-GPA in order to lessen the effects of any social loafing in teams.

Peer Assessment

Professors struggle with how to evaluate individuals within a group setting. One tool that has been used to help professors with this process is peer assessment, asking group members to grade each others' performance. Dyrud (2001) credits peer review with mitigating dysfunctionality in groups, improving productivity and leading to a fairer assessment of individual's work. However, research findings on the value of this measurement tool are mixed, with some reporting success (Aldridge, 1996; Martinazzi, 1997) and others indicating problems (Rafiq, 1996; May & Gueldenzoph, 2006) or mixed results (Kruck, 2001). Peer assessment is critical in allowing the professor a window into the inner workings of the student team. Without such assessment, the professor has only his/her observation of group dynamics and no feedback from individual team members. Research reveals that feedback is positive and often constructive among well-functioning teams and negative and blaming for those dysfunctional teams (Kruck, 2001).

BUSINESS SCHOOL CASE STUDY: STUDENT CONSULTING

Two face-to-face marketing planning courses exist at a liberal arts university: an undergraduate marketing capstone course, Marketing Plans Development, and a graduate Marketing Management course in the MBA program. Both make use of the development of client-based marketing consulting projects as the major component in the learning process. The courses are similar in a number of ways due to the nature of the assignment but different in other ways owing to the level of the student (graduate v. undergraduate; marketing student v. general MBA student) and the teaching styles of the professors.

Similarities between the projects in both courses include:

- Courses are face-to-face (less frequent in-class meetings than traditional face-to-face)
- Group-based, consisting of 4-6 students, with a pre-determined client
- Semester-long consulting with one client per team
- Project is a significant part of students' grade (100% for the undergraduate course and 85% for the graduate course)
- Iterative, entailing multiple submissions of the marketing document
- Persistent feedback-driven from professor to team, professor to individual student, student to student, and client to team
- Use of supplemental peer grading, which informs the final course grade

Differences include:

- Undergraduate marketing student (vested in marketing) versus general MBA student (not all vested in marketing)
- Handling of group dynamics (team inter-relationships)
- Professor contact with the client
- Approach to problem of social loafing in teams
- Role of students and client in the grading process

Course Differences

The authors have found that the role of the teacher is critical to the success of their client-based student-consulting project as the professor is the one who recruits and selects appropriate clients, communicates expectations for the student teams and clients, and coaches the teams during the semester. However, the authors approach this role differently. The undergraduate professor takes a more active role in the dynamics of group interaction. This entails working with problem groups and meeting with individual group members who are not performing up to the expectations of their group. The graduate professor takes a "hands off" approach to the functioning of the group, focusing only on content-related issues that may be stalling group progress.

These differences make sense given the nature of the students. Undergraduate students generally have less experience working in groups and dealing with the conflicts that can develop from such interactions. Alternatively, the majority of the graduate MBA students have been working for a number of years and many are middle managers. Consequently, they have much more experience handling the pitfalls of group work. This experience allows the graduate professor to concentrate totally on the project, an appropriate focus given the higher expectations associated with work at this level. The undergraduate professor, however, must balance issues surrounding the success of the project and the success of the group operation, necessitating less emphasis on each.

All professors face issues of social loafing, but, again, handle such issues differently. At the undergraduate level, group members can "fire" unproductive group members with cause and documentation. The professor meets with the group and the "fired" student to clarify issues and set ground rules for the future. "Fired" students must then produce a marketing plan for a client on their own. At the graduate level, students cannot "fire" group members but deal with the issue of social loafing through social pressure and peer assessment. If a graduate student's group work would result in a failing grade, the professor gives the student the option of taking an incomplete and either writing a research paper or retaking the course the next semester. These different approaches to group membership-retention recognize differences in the ability of graduate and undergraduate students to be productive in stressful group situations.

Regarding the client, the undergraduate professor has found it helpful to attend the initial and some subsequent meetings the student consultants have with the client because this gives a better sense of the client's expectations all along. This has helped tremendously in guiding students through the project and ensuring that all relevant topics are covered in the client meeting. The graduate professor meets the client alone first to explain the project, guide expectations, and assess needs (an effort to ensure client suitability). The graduate course professor then allows student consulting teams to hold initial fact-finding meetings and subsequent meetings without her presence. This is less a pedagogical difference than a time difference; undergraduate classes are larger, requiring more teams.

Grading of both projects is a combination of the professors' assessments of project quality and student contributions and peer assessment of group members. However, the student's ability to function in a group is taken into account at the undergraduate level whereas that is not a factor in graduate grading. The role of the client in assessment is more formal at the undergraduate level, with the client actually providing the professor with formal feedback [not a grade] for the project according to certain criteria. The client's assessment is more informal for the graduate class where the client provides oral comments after the project presentation. The "kindness" of clients when asked to assess project quality is the reason for the informal process at the graduate level.

Students at the undergraduate level sit in on all project presentations and are asked to rate the projects according to predetermined guidelines. This gives the student a chance to learn from their peers. However, at the graduate level groups present only to the client and the professor. This is necessary at this level because the client may be asked to provide sensitive information about his/her business involving confidentiality issues.

Course Similarities

While there are differences in how the graduate and undergraduate marketing classes approach the project, there are also important similarities. The objectives for the projects are the same: to teach students how to formulate a comprehensive marketing plan that can be used in an existing business or organization. In addition, the professors at both levels clearly communicate the expectations for the course to both the students and the client. The students are given a detailed outline, timeline and handouts that address each component of the marketing planning process. The authors consider the ability to formulate such a plan to be so important that the whole semester is devoted to it and the final grade is dependent solely on how well the students accomplish that task. In addition, the authors take a developmental approach to learning. Students are given multiple opportunities to "get it right." Iterations of the project are turned in throughout the semester and the professor gives substantial feedback, both in writing and in person, to improve the next submission.

In both courses, student consulting teams are formed by the professor. At the undergraduate level, a client is then pre-assigned to a team whereas at the graduate level, student consulting teams choose a project from a list submitted by the professor. If more students choose a project than there are slots available, students either volunteer to switch to another project or the professor randomly selects "volunteers" by drawing names from a hat. Students are given time in class to meet with their team at both the graduate and undergraduate level. This allows the professor to observe group dynamics and to chart the progress of the groups. Clients represent area small businesses / organizations. A client is typically, one who has called the College of Business requesting a marketing plan and has been vetted by course professors (deemed a suitable “client lead”). If a suitable client lead exists, it is given priority. If no client lead exists, the professor may cold-call area small businesses to gauge their willingness to participate or allow student consulting teams to suggest a particular small business.

The grading process for both courses involves the marketing plan being subdivided into three gradable components: a project proposal or quasi-contract with the client (of the overall grade); a situational analysis or market analysis with secondary and primary research (of the overall grade); and the final marketing plan (of the overall grade). At both levels, prior to a component’s due date, the course professor allows consulting teams to submit the assignment for a ‘one-time free review’ where the professor provides greater direction and extensive feedback. Each component, listed above, is handed in for a grade that is accompanied by copious feedback. Student consulting teams must revise the graded component based upon feedback from the professor; this process of revision may take several iterations until that particular graded component is deemed complete by the professor. Further iterations by student teams are not graded; they are a course requirement that demands writing refinement by students as well as continuous and persistent feedback by the course professor. Each graded component becomes part of the overall marketing plan. Students at both levels are asked to assess members of their groups, fostering individual accountability and giving the professor insight into student team contributions. This cumulative feedback may be used by the professor to grade one team member lower/higher than the whole at final grade time. The quality of the graded output varies by team, but the finished products are often quite good, due in majority to the iterative approach to writing that improves with each version. The professor, as gatekeeper, is critical as he/she determines when a component piece has been revised to completion. Student consulting teams that are struggling will engage (initiated by the professor or the team) in more iterations than others.

Finally, the authors collectively feel a responsibility to provide a superior educational experience for the students and a high quality marketing plan for the client. While the students’ abilities may be different at the graduate and undergraduate level, both courses emphasize that this is not just an exercise but is to be thought of as a consulting job for the client. This is particularly important at small universities in rural areas where consulting help is limited and business resources are scarce. Evaluative feedback from students, at both levels, illustrates an appreciation for the learning experience. Students positively comment on the value of working with an actual organization, learning from a business owner/operator, and acquiring consulting-type skills. Clients unanimously report an overall positive experience and consider working with students at either level as a chance to give back. Others report never having a marketing plan prior, thus the team’s output proves invaluable.

Process Considerations

The following are general expectations and considerations on how the process of client-based student consulting projects can work:

- Students are introduced to the concept of "client-based student consulting projects" and the role of the client.
- Students are assigned a consulting team.
- The student consulting team is assigned a client (professor must first secure buy-in from the top leadership of the client organization).
- Students are asked to sign a non-disclosure agreement.
- Student consulting teams will arrange a fact-finding meeting with the client to learn about the organization, its marketing-related goals and to ask for relevant organizational information in order to fully understand the client.
- Student consulting teams will interact with the client regularly throughout the semester.
- Student consulting teams are given project tasks with set deadlines.
- A client deemed suitable is one who is accessible (via e-mail, telephone and face-to-face) and responsive to the team's inquiries.
- A client deemed suitable *may* be asked to reimburse the student consulting team for expenses associated with the project–discussion of this will occur early in the project.
- There are no guarantees what the final outcome will be. The goal is for the team to understand the client's needs, problems and opportunities and to devise a comprehensive strategic marketing plan that addresses that.
- Student consulting teams will provide the client with a hard-copy of the marketing plan at semester's end.
- Client will be asked to evaluate the finished project (giving feedback to team and the professor).

LIMITATIONS

There exists several limitations inherent in this paper, particularly, the lack of an empirical foundation. It would be advisable to support this study with future empirical support on the perceived benefit of consulting from the students' perspective and the business clients' perspective. Additionally, administrative hurdles were not thoroughly discussed, such as faculty workload (due to project complexity), poorly performing students serving as consultants, clients losing a sense of commitment to the project, and whether to charge a fee to the business. It would also be interesting to see future studies share client-based student consulting projects using an online platform, thus detailing issues with online groups, remotely located clients, and asynchronous strategy generation.

CONCLUSION

Client-based student consulting projects can and do work for the professor, students, and the clients. There are several keys to making it work: selecting appropriate clients, devising attainable expectations, and committing to reading and re-reading students' work until it meets expectations. Most faculty find the demands of these courses to be greater than traditional face-to-face courses in terms of workload and interaction with students. While there are less frequent in-class meetings, out of class advising and assistance is great. This “real world” classroom integration should be an enjoyable learning experience for professor and student alike. The professor can dovetail research interests with client-based student projects and students create a living document that may impact an actual business.

At a minimum, these projects enhance students’ learning, incorporate experiential activities in the classroom, and serve as an example of regional engagement, oft university mission components. The desire of the authors is to provide a framework from which one can venture into the applied client-based student consulting projects domain at both the graduate and undergraduate level. Feedback from recent graduates, who have secured jobs, found the course consulting project to be among the most valuable in his/her academic career. Business clients always report a favorable impression of the quality of the students’ work, a testament to the iterative process. The benefits far outweigh the challenges involved in designing and implementing such an experience.

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