Why Spirituality Belongs in the Finance and Accounting Curricula

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After the financial crisis of 2008, it became apparent that much of corporate America has compromised its sense of ethics. As professors, it is important to rethink what we are teaching the next generation of business leaders to avoid further accounting and finance scandals. In particular, the objective of "maximizing shareholder value" may be worth revisiting. Since approximately 80% of first-year college students are interested in spirituality, it is reasonable to incorporate spiritual values, such as making work meaningful, respect for the creativity of employees, and making the world a better place for everyone, into business courses.

INTRODUCTION

The financial crisis of 2008, without doubt the worst business debacle the United States has experienced since the Great Depression, made it very clear that there has been a breakdown in the values of corporate America. Millions of jobs were lost – many permanently – and trillions of dollars in market value evaporated. Millions of Americans lost their homes as well. The economy has yet to fully recover from the Great Recession. The underemployment rate is still too high (15%) and income/wealth inequality is an embarrassment to most Americans. It seems too commonplace that banks and financial institutions are being sued for dishonest practices. For example, Credit Suisse Bank is being accused of dishonest business practices. There are emails that appear to support the claim that "top officials at the bank routinely pressed subordinates to override due diligence standards and accept questionable loans that were subsequently bundled into mortgage investments" (Morgenson, 2014).

Sixteen major banks have been accused of rigging the benchmark LIBOR rate in order to increase profits. This key interest rate affects charges on credit cards, mortgage rates, and student loan rates (Raymond & Viswanatha, 2014). Citigroup paid $7 billion and JP Morgan Chase & Co, paid $13 billion in fines for their role in selling substandard mortgage securities (Freifeld & Viswanatha, 2014). BNP Paribas, France's largest bank, is ready to plead guilty to charges and pay a fine of $8.9 billion for transferring funds on behalf of clients working for countries blacklisted by the United States (Protess & Silver-Greenberg, 2014). One of these blacklisted countries, Sudan, has been accused of genocide. Lorsch, Berlowitz, and Zellecke (2005) noted almost ten years ago that the so-called watchmen and gatekeepers — corporate directors, investment bankers, regulators, mutual funds, accountants, auditors, etc.— have fallen into the self-interest trap and disregarded the needs of the public. Manipulation of the LIBOR rate is not enough, several banks are now being accused of manipulating the foreign currency market. Six banks – Barclays, JP Morgan Chase, Citigroup, UBS, and HSBC – are talking to the authorities about reaching a settlement (Protess & Anderson, 2014). HSBC is being investigated for helping wealthy people avoid paying taxes and money laundering (Dearden, 2015). Standard & Poor's, the world's largest credit ratings company, agreed to pay a $1.5 billion settlement for the ridiculously top grades (AAA) given to inferior subprime-mortgage securities. These inflated ratings were a chief contributor to the Great Recession of 2008 (Robinson & McLaughlin, 2015).

The corporate world led by greedy and self-interested CEOs was heading down a dangerous path for more than 25 years (Friedman, Lynch, & Herskovitz, 2013). One of the early signs that capitalism was morphing into something dreadful and hazardous occurred between 1986 and 1995, when 1,043 banks failed during the Savings and Loan disaster. This cost U.S. taxpayers about $124 billion (Friedman, Lynch, & Herskovitz, 2013). Apparently, no lesson was learned, and the next few years ushered in an era of accounting fraud and irregularities. The worst incident that defined this era involved Enron, which filed for bankruptcy in late 2001. Numerous companies including Tyco International, Adelphia, Global Crossing, and WorldCom were caught "cooking the books." They used dubious accounting practices and even engaged in outright accounting fraud to deceive investors and enrich executives. In fact, the Sarbanes-Oxley (SOX) Act of 2002 was enacted as a direct result of these misconducts in order to prevent future financial disasters and ensure honest accounting. Of course, SOX did not work as well as hoped and the Great Recession ensued.

It is indisputable that the financial and banking industries have not done their best in upholding the "highest ethics when handling other people's money" (Eavis, 2014). What we have seen in the last several years includes: "money laundering, market rigging, tax dodging, selling faulty financial products, trampling homeowner rights and rampant risk taking" (Eavis, 2014). William C. Dudley, President of the Federal Reserve Bank of New York, said, "There is evidence of deep-seated cultural and ethical failures at many large financial institutions" (Eavis, 2014). That is an understatement -- the entire United States financial system almost collapsed because of pure greed.

Another way the corporate world cheats consumers is through hidden fees. Recently, AT&T had to pay $80 million for hidden cellphone charges. Stealth charges are used by companies providing student and auto loans as well as mortgages. There are all kinds of hidden charges in automobile insurance including a premium based on where the insurer lives. Colleges and universities have learned to charge all kinds of hidden fees on top of tuition (registration, technology, etc.). Airlines make tickets look relatively cheap because they do not inform travelers upfront about baggage fees (Fergus, 2014). The goal of all of the above hidden charges is to deceive consumers and make them believe that something is much less expensive than it really is. According to a study by the Brookings Institution, abolishing these hidden fees could save lower-income consumers billions of dollars (Fergus, 2014).

There is evidence that "in any given year a fraud was being committed by 11 to 13 percent of the large companies in the country" (Porter, 2012). In 2001, the United States was ranked 16th as the least-corrupt country by Transparency International's Corruption Perceptions Index; in 2011 the ranking dropped to 24th place. Someone remarked that "company executives are paid to maximize profits, not to behave ethically" (Porter, 2012). If future CEOs continue to think this way, the United States is bound to see many more financial scandals.

WHAT ARE WE ACTUALLY TEACHING IN THE INTRODUCTORY FINANCE CLASSES?

A fundamental principle of finance is that the goal of the firm is maximization of shareholder value. The basis for this is that the ultimate gauge of corporate success is the extent to which it increases the wealth of its shareholders via dividends and/or an increase in the price of its stocks. This is taught to all accounting and business students in several courses. This idea has numerous implications, many of which can be extremely harmful to a company in the long run. First, who are these “shareholders”? If most shareholders are institutional investors who expect to hold the stock for a year or two and then sell, this strategy may be different from one where shareholders are mainly small investors who plan on holding the stock for many years. As a result, this philosophy has all kinds of unintended consequences. The affirmed goal of “maximizing shareholder value” contributed to the huge rise in executive pay (tied to stock options); employee pay, on the other hand, stagnated (Yang, 2013). Executives had no problem moving jobs offshore on the grounds of “maximizing shareholder value.” As late as 1981, the prevalent view was that corporations have a responsibility to all stakeholders, not just stockholders (Yang, 2013). The following is from a statement by the Business Roundtable trade group:

> Corporations have a responsibility, first of all, to make available to the public quality goods and services at fair prices, thereby earning a profit that attracts investment to continue and enhance the enterprise, provide jobs, and build the economy. The long-term viability of the corporation depends upon its responsibility to the society of which it is a part. And the well-being of society depends upon profitable and responsible business enterprises (Yang, 2013).

It should be noted that corporations, as limited liability entities, are provided by the government with great opportunities to take risks and make profits (Guthrie, 2011). Without the legal protection afforded by limited liability, no one would be willing to risk all their assets on any risky business venture. Thus, it is quite reasonable for society to insist that corporations act in a socially responsible manner. Guthrie asserts that the construct of corporate social responsibility came from the corporations themselves. This was viewed by them as an alternative to being constrained by many regulations. Society has a right, therefore, to insist that a corporation has a greater responsibility than simply maximizing shareholder wealth.

The Great Recession of 2008 has made it clear to many educators that we have to rethink what we are teaching students. Indeed, economics students at many colleges are demanding alternatives to neoclassical orthodoxy that reflect reality. One theory that needs to be reexamined in light of what happened is that of maximizing shareholder value (Caulkin, 2014). Nocera (2012) believes that the financial crisis of 2008 that nearly destroyed the world economy resulted from the goal of maximizing shareholder value:

> Too many chief executives succumb to the pressure to boost short-term earnings at the expense of long-term value creation. After all, their compensation depends on it. In the lead-up to the financial crisis — to take just one extreme example — financial institutions took on far too much risk in search of easy profits that would lead to a higher stock price.

Jack Welch, former CEO of GE, asserted that the corporate objective of maximizing shareholder value was the “dumbest idea in the world” (Denning, 2011). He felt that it was not only immoral but, in the long run, was a good way to destroy an organization. Welch believed that a firm’s objective should be to make a high quality, constantly improving product to maximize customer satisfaction. Martin (2011) claims that, ironically, the goal of “maximization of shareholder value” does not have this effect in the long run. Denning (2012) describes its disastrous economic effects and how it is actually counter-productive to its avowed end:

> Thus a focus on maximizing shareholder value leads the firm to do things that detract from maximizing long-term shareholder value, such as favoring cost-cutting over innovation that adds value to customers and builds the brand, pursuing “bad profits” that destroy brand equity, and excessive C-suite compensation. The net result can be seen in the disastrously declining ROA [Return on Assets] and ROIC [Return on Investment Capital] over the last four decades in large US firms as documented by Deloitte’s Shift Index. Shareholder value has many other drawbacks. It encourages hierarchical

> bureaucracy. It destroys employee morale: only one in five workers is fully engaged in his or her work. The sole focus on profit is anti-social in nature and has given business a bad reputation. It cripples job growth: according to a study by the Kauffman Foundation, large firms have created zero net new jobs over recent decades.

There is a growing movement to put an end to the objective of maximizing shareholder value (Wartzman, 2013) as it distorts the way executives are supposed to think. It compels them to sacrifice long-term success for short-term increases in a stock price. It is frightening that "Fifty five percent of chief financial officers said that they would pass up an attractive capital investment project today if the investment led them to miss their quarterly earnings target, even by a little bit" (Wartzman, 2013).

Wartzman (2013) provides two compelling reasons why the objective of maximizing shareholder value may be coming to an end.

> First, there are graduate students, many of whom are passionate about changing the world—and not just getting rich. The trouble is that all too many business and law schools undermine this spirit by teaching traditional classes that reinforce a short-term mindset. As Cornell law professor Lynn Stout, one of those at the Claremont gathering, has made abundantly clear, by the time these students hit the job market, they've come to falsely believe that the primary purpose of the corporation is to "maximize shareholder value."
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> The second group where there's dissonance can actually be found in the executive suite. Yeah, sure, some people will always be greedy and manipulate short-term financial results because it's in their narrow self-interest. But to be cynical is to miss a major opportunity: Most people go into business because they're eager to offer a product or service that provides customers—and, by extension, society as a whole—something of value. They hate the pressure, from Wall Street and elsewhere, to focus on short-term financial metrics.

Lazonick (2014) also believes very strongly that we have been stressing the wrong values when we talk about maximizing shareholder value. What we have accomplished with this destructive philosophy is a culture where accounting fraud, crony capitalism, grossly excessive CEO remuneration via stock options, and corporate predation are prevalent; concern for the welfare of employees and long-term health of the company are, at best, secondary.

> For the past three decades, top executives have been rewarding themselves with mega-million dollar compensation packages while American workers have suffered an unrelenting disappearance of middle-class jobs. Since the 1990s, this hollowing out of the middle-class has even affected people with lots of education and work experience.
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> As the Occupy Wall Street movement correctly recognized, the concentration of income and wealth of the economic top "one percent" of society has left the rest of us largely high and dry. Corporate profits are increasingly going to share buybacks or dividend distribution, but very little is going back into research and development efforts, capital reinvestment, and employment. Corporations, in other words, are devoting increasing amounts of their considerable and growing financial resources to redistribution rather than innovation. And they are doing so based on the justification of "increasing shareholder value" (Lazonick, 2014).

There is evidence that what shareholder value maximization has accomplished is that CEOs do not focus on what is good for the long-term health of their companies; instead, they "game the system" and find ways to make money in the short term. This philosophy may be responsible for the fact that the life-span of a Fortune 500 company had plummeted from 26+ years (1971-1976) to about 15 years

(2005-2010). The average tenure of CEOS has declined to six years from ten years during that period (Hayat, 2014).

A recent study demonstrates that using compensation consultants to advise boards on appropriate compensation for CEOs by "benchmarking" it to what executives in other similar firms earn does not work. In fact, using compensation consultants has resulted in an increase in executive pay (Sorkin, 2014). When CEOs have no spiritual backbone, they will always find ways to circumvent any rules to limit their compensation.

There are additional ethical implications of teaching the principle of "maximizing shareholder value." Would this principle indicate that companies should sell products to countries that wish to destroy the United States? How about selling poisonous gas that is being used to poison innocent people? How about selling super-computers to countries that plan on using them to harm innocent regions? The following incident occurred at an oil conference and demonstrates the dark side of the theory of "maximizing shareholder value." A CEO of Exxon was asked by an executive from another firm to consider building additional U.S. refinery capacity for security against possible supply disruptions. His response was, "I'm not a U.S. company and I don't make decisions based on what's good for the U.S" (Gore, 2013). Clearly, the focus here was solely on "maximizing shareholder value," and the CEO was thus indifferent as to whether a sale can ultimately hurt the United States or other countries outside of his jurisdiction. Why not sell computers and poison gas to brutal dictators such as Hitler! Actually, there are at least 11 companies that did business with Hitler (Greenspan, 2013). Black (2001) makes it clear that the Holocaust and deaths of millions on non-Jews could not have happened without machines supplied by IBM. Was IBM wrong in trying to "maximize shareholder value"?

There is another ethical question that hinges on the issue of maximizing shareholder value. Suppose a company discovers a product defect that may result in a small number of deaths, say five people. It may be a lot cheaper to allow a few customers to die than to recall and repair the product. This is especially true if the product has been purchased by millions of people. A product recall of that magnitude would cost a huge amount and would also result in a great deal of negative publicity. From a cost point of view it might be considerably cheaper to pay off a few claims and have the estates sign non-disclosure agreements. Case in point: it appears that General Motors had known about a defective ignition switch for a decade which shut off unexpectedly when jostled, thereby cutting off power to the car's engine, deactivating the air bags, and causing fatal car accidents. It secretly substituted it with a new ignition switch which is safer and requires more force to turn on and off. However, G.M. failed to recall the cars with the defective ignition switch. This defective switch is now linked to 13 deaths and G.M. has been forced to recall millions of G.M. automobiles worldwide (Vlasic, 2014; Wald & Vlasic, 2014).

It is quite evident that teaching the principle of "maximizing shareholder value" is not quite that innocent. It has many ramifications and can hurt society as well as any firm that accepts it. What we should be teaching in finance, then, is the implications of this theory and how easy it is to misapply it and use it towards the wrong ends. Actually, it can be used as a stepping stone to a discussion of ethics and spirituality. Students today are "passionate about changing the world," a spiritual value.

TEACHING ETHICS

Even though courses in ethics have been required for business students for a number of years, they do not seem to have much impact on the practices of executives. Etzioni (2002) asserts that students completing MBA programs become even less ethical when they started. Mangan (2006) contends that business schools are teaching students that "greed is good" by focusing on improving shareholder profits rather than society. John J. Fernandes, president of the Association to Advance Collegiate Schools of Business (AACSB), also believes that schools of business have overemphasized the importance of profit maximization, producing "a corporation that has lost its soul" such as Enron (Mangan, 2006; Kolp & Rea, 2006: 25). What business courses seem to have accomplished is that students understand the importance of maximization (profits, utility, shareholder value) but have little understanding of the importance of ethics and social responsibility in building a durable and prosperous company (Korn, 2013; Gardiner, 2010; Holland, 2009; Mangan, 2006). It is not surprising that one study found 56% of MBA students cheated on a regular basis in college, more so than students majoring in other areas (Holland, 2009). Friedman, Lynch, & Herskovitz (2013) posit that after the Great Recession of 2008, the need to rethink what is being taught in universities became obvious to many educators. The time is now right for the academic world to talk about spirituality. In the past, professors have preferred to steer clear from religious discussions as religion and science were seen as antagonistic to each other. This paper will demonstrate that spirituality is actually a "safe" subject to discuss and is an appropriate way to teach values to students.

WHAT IS SPIRITUALITY?

Although the two are related, spirituality should not be confused with religion. It is quite possible for an individual to be spiritual and yet not be affiliated with any particular religious group. A key part of being spiritual is the understanding that life has a higher purpose (Sheep, 2003; Pandey & Gupta, 2008). Spiritual people sense that there is a "connectedness to something greater than the self" (McClung, Grossoehme, & Jacobson, 2006). They are concerned with making a difference, and desire to make the world a better place. Religion, on the other hand, refers to communally held beliefs and dogmas that are expressed publicly (McClung, Grossoehme, & Jacobson, 2006). Whereas religion tends to be associated with an organization or institution, spirituality tends to be more individualistic and personal. Karakas (2010) describes the distinction as follows: "Spirituality is distinguished from institutionalized religion by being characterized as a private, inclusive, non-denominational, universal human feeling; rather than an adherence to the beliefs, rituals, or practices of a specific organized religious institution or tradition."

The Higher Education Research Institute (HERI) surveyed 112,232 college freshmen in order to understand their level of spirituality. The following are some of the findings: 83% of respondents believed in the sacredness of life; 80% had an interest in spirituality; 76% engaged in a search for meaning/purpose in life; and 74% had discussions with friends about the meaning of life. Sixty-four percent of respondents agreed with the statement that "My spirituality is a source of joy"; and 47% felt that it was essential or very important to "seek out opportunities to help me grow spiritually. Sixty-nine percent of respondents prayed and 79% believed in God. The study makes it apparent that colleges should not be afraid to involve students in discussions involving spiritual topics such as the meaning of life (Higher Education Research Institute, 2005).

Those who are not spiritual believe in maximizing their own pleasure and minimizing their pain; i.e., all that matters is money, fame, and/or power. This sounds very much like the idea of maximizing utility or maximizing profits that is key in many business and economics courses. Do students really believe that "rational man" is only concerned about maximizing his/her self-interest? Spirituality should not be taken lightly since, as mentioned previously, approximately 90% of Americans describe themselves as spiritual and 75% believe that they are religious (Iannaccone, 2003). White (2006) believes that academe will have no choice but to be "visionary about the emerging issue of students' need for spiritual development and must empower them to articulate it in the academy…" Spirituality has become so important that Astin (2004) argues that spirituality deserves a central place in all liberal arts education. There is a commonly held view that college professors tend to be atheists and uninterested or even hostile to spirituality. Gross and Simmon's (2007) survey of American professors indicated that this is not true, and, in fact, 80% of college professors are spiritual.

Kerns (2002) notes that there are a significant number of business-related books and websites that discuss spirituality, indicating that it has become a popular subject. In fact, a large number of business "gurus" are giving seminars on the subject. A number of major magazines have had issues dealing with religion and/or spirituality in the workplace (e.g., *Fortune*, *Business Week*, *Time*, and *The New York Times Magazine*).

Drucker (1996), arguably the most important scholar of management, ends his book entitled *Landmarks of Tomorrow* with the following statement:

> The individual needs the return to spiritual values, for he can survive in the present human situation only by reaffirming that man is not just a biological and psychological being but also a spiritual being, that is creature, and existing for the purposes of his creator and subject to Him.

In his book, "Is spirituality important in the American economy?" Fogel (2000), a 1993 Nobel laureate in economics, stresses the importance of spirituality in the new economy. He identifies fifteen vital spiritual resources that include such concepts as "a sense of purpose, a sense of opportunity, a sense of community, a strong family ethic, a strong work ethic, and high self-esteem." The implication of his view is that capitalism should take spiritual values into account in order to survive in the new economy.

A spiritual workplace respects the abilities of its employees and therefore creativity is important. Rhodes (2006) maintains: "A spiritual workplace provides resources to help people uncover their creative potential and to practice creativity within the organization." Spiritual people want their lives and jobs to have purpose and meaning and thus would benefit working for a firm that does not exploit its employees in order to maximize profits and pay exorbitant salaries to executives. They are concerned with making a difference and desire to make the world a better place. Karakas (2010) reviews 140 papers dealing with spirituality and concludes:

a) Spirituality enhances employee well-being and quality of life;
b) Spirituality provides employees a sense of purpose and meaning at work;
c) Spirituality provides employees a sense of interconnectedness and community.

INCORPORATING SPIRITUALITY INTO BUSINESS COURSES

A key part of being spiritual is in wanting to improve the world and to make work meaningful. If life has a higher purpose, then one can expect the corporate world to strive to improve the world. Of course a firm has a responsibility to make profits, but this obligation does not mean that the firm should ignore the needs of society. The sections below offer some suggestions as how to incorporate spirituality into business courses so that future executives will strive to accomplish beyond the profit maximizing goal. Students are more impressionable than seasoned executives, and thus the classroom is the opportune time and place to teach this. It is especially important to introduce this concept into accounting and finance courses since students taking those courses are the least likely to learn anything about spirituality.

Meaningful Work and Respecting the Ability of Workers

Back in the 1950s, Peter Drucker saw the corporation as an organization "built on trust and respect for the worker and not just a profit-making machine" (Byrne, 2005). Seeing employees as factors of production easily replaceable like outdated equipment is inconsistent with spirituality. As noted above, spirituality involves providing meaningful work and respect for the ability of workers. Moreover, a firm that wants to be spiritual should do everything possible to utilize the creativity of its employees. This can lead to discussions involving the benefits of creating a learning organization. In the corporate world, many firms are recognizing the value and importance of transforming a firm into a learning organization (Argyris & Schoen, 1996; Senge, 1990). What is organizational learning? Organizational learning has been defined in many ways. Stata (1989) asserts that: "organizational learning occurs through shared insights, knowledge, and mental models … [and] builds on past knowledge and experience." Senge (1990) writes: "learning organizations are not only adaptive, which is to cope, but generative, which is to create." Pedler et al. (1991) state: "A learning company is an organization that facilitates the learning of all its members and continually transforms itself." Garvin (1993) believes that a learning organization is "an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights."

Another concept that can be discussed in the context of spirituality is servant leadership. The concept of servant-leadership was first introduced by Robert K. Greenleaf in 1970 in an essay with the title “The Servant as Leader” (Spears, 2004). Much of what Greenleaf believed about leadership may be found at The Greenleaf Center for Servant- Leadership website (https://greenleaf.org/). In addition, a large number of books and articles have been written about the concept of servant-leadership in the management as well as the religion literature (Autry 2001; Blanchard 2003; Greenleaf 1983). Autry (1991) goes so far as saying that good management involves loving and caring for the people that work for you.

There are a number of strong arguments that can be made for the view that executives should see themselves as servant leaders. Servant-leaders empower others and are facilitators; they are not concerned with personal aggrandizement. The servant-leader is the antithesis of the autocratic, authoritarian, leader who is primarily concerned with power and wealth; she cares about people and wants them all to be successful. Spears (2004) finds ten characteristics in the servant-leader:

1. Listening intently and receptively to what others say. This, of course, means that one has to be accessible.
2. Having empathy for others and trying to understand them.
3. Possessing the ability of healing the emotional hurts of others.
4. Possessing awareness and self-awareness.
5. Having the power of persuasion; influencing others by convincing them, not coercing them.
6. Possessing the knack of being able to conceptualize and to communicate ideas.
7. Having foresight; which also includes the ability to learn from the past and to have a vision of the future.
8. Seeing themselves as stewards, i.e., as individuals whose main job is to serve others.
9. Being firmly dedicated to the growth of every single employee.
10. A commitment to building community in the institutions where people work.

Spears (2004) lists a number of companies that include the principle of servant-leadership in either their mission statement or corporate philosophy. These include firms such as ServiceMaster Company, Southwest Airlines, and the Toro Company.

The concept of servant leadership is spreading to many firms. Brady (2006) makes the point that senior executives seem to be “battling for the congeniality prize.” The new management buzzwords include humility, responsive leadership, and servant leadership; it is not “in” to be arrogant. Carly Fiorina, former CEO of Hewlett Packard averred: “abrasive never works, demanding is sometimes required” (Korn & Feintzeig, 2014). Reed Hastings, CEO of Netflix, asserts that his company does not need “brilliant jerks” since the “cost to effective teamwork is too high” (Korn & Feintzeig, 2014). Hess (2013) studied effective CEOs and found that they tended to be servant leaders:

> These leaders were servants in the best sense of the word. They were people-centric, valued service to others and believed they had a duty of stewardship. Nearly all were humble and passionate operators who were deeply involved in the details of the business. Most had long tenures in their organizations. They had not forgotten what it was like to be a line employee. They believed that every employee should be treated with respect and have the opportunity to do meaningful work. They led by example, lived the “Golden Rule,” and understood that good intentions are not enough — behaviors count. These leaders serve the organization and its multiple stakeholders. They are servant leaders.

Friedman & Lewis (2014) assert that a new kind of CEO is needed in the knowledge economy. The CEO has to have the ability to motivate employees to share knowledge and be as creative as possible.

Otherwise, a firm will find it difficult to survive in the highly-competitive global economy. In the knowledge economy, the most valuable resource owned by a company is the brainpower of its employees. A good idea can be worth billions of dollars in revenues.

Employee Engagement

Employee engagement is difficult to define but deals with how connected employees feel towards a firm. Engaged employees are more than just motivated: they want their organizations to succeed. They are energetic and have a passion for what they do (Gross & Holland, 2011). There is evidence that employee engagement is extremely low; one study found that 70% of employees and 50% of managers are disengaged (Gross & Holland, 2011). This is of importance since there is a strong correlation between employee engagement and customer satisfaction, productivity, and profits. Firms that are seen as socially responsible are able to attract and retain engaged employees. This will ultimately have positive effects on net income and growth (Gross & Holland, 2011). Holland (2011) states: “Corporate social responsibility drives employee engagement, which in turn drives business success. Therefore, investing behind CSR initiatives makes good business sense.”

Making the World a Better Place

A survey by NetImpact found that 53% of employees indicated that working at “a job where I can make an impact” was “essential” as far as happiness; with students the percentage shot up to 72% (Meister, 2012). Most young people are even willing to take a 15% pay cut to work for an organization with good values (Meister, 2012). Young people are more concerned about working of organizations that stress the “triple bottom line,” i.e., people, planet, and profits. One survey found that 80% of respondents aged 13-25 wanted to work for a socially responsible firm that “cares about how it impacts and contributes to society” (Meister, 2012).

The world can be improved by concern for social justice and alleviating such world problems as poverty, racism, oppression, global warming, and pollution. Judaism is one religion — but by no means the only religion — that stresses the importance of *tikkun olam* (repairing or improving the world). There are numerous ways a company can improve the world. A firm can provide employment opportunities for the elderly and disabled. They should also encourage diversity in the workforce and hire minorities. Showing concern for the environment, such as using renewable energy, and reducing waste and carbon dioxide emissions is another way firms can assist in making the world a better place. They can improve education and opportunities for the lower class by partnering with inner city public schools and by providing extra funds for such purposes. In addition, they can provide internships for high school and college students. Firms should purchase from local firms as much as possible since this strengthens the communities in which they conduct business. Corporate philanthropy can be used strategically to both enhance the image of a company at the same time it improves the world.

Porter & Kramer (2006) demonstrate that business and society are interdependent. Therefore “corporate social responsibility can be much more than a cost, a constraint, or a charitable deed — it can be a source of opportunity, innovation, and competitive advantage.” Porter and Kramer (2006) use the Toyota Prius, a hybrid automobile, as an example of a car that provides environmental benefits and has also helped provide the Toyota company with a huge competitive advantage. A 2013 Cone Communications study dealing with corporate social responsibility found that more than 50% of consumers in ten countries would boycott companies that behaved in a socially irresponsible manner. In fact, more than 50% of consumers claimed to have avoided purchasing products from companies because of what they felt was “bad corporate behavior” (O’Donnell, 2013).

Examples of Firms that are Concerned with Spirituality

All of the above can cast shadows of doubt if an instructor cannot provide concrete examples of companies that are spiritual. The following is a small sample of firms that embody spirituality into their core behaviors.

Milliman *et al*. (1999), using a case study approach, demonstrate how Southwest Airlines uses a "spiritual values-based model" to make its firm successful. A spiritual company, according to them, addresses the questions of making a positive contribution to the world. Bailey (2006) found that many Southwest Airline employees are now millionaires (employees have a profit- sharing plan, not a pension), yet continue to work. They have a great deal of pride in the company and in what they accomplished. Southwest Airlines has prospered while many airlines have disappeared. Southwest has the lowest costs in the airline industry but pays the highest wages. It is able to do this by having the most productive employees in the airline industry.

John P. Mackey, CEO and co-founder of Whole Foods Market, asserts that customer satisfaction is more important than profit maximization. He is an advocate for what is referred to as values- driven capitalism. The firm has to consciously work to improve society and not rely solely on the "invisible hand" of the marketplace to achieve this result. In fact, the company stopped selling lobsters because it did not like the way the animals were treated. The company is also increasing its spending on its purchases of produce from local farmers (Nocera, 2006).

Tom's of Maine Statement of Beliefs can be used by any firm that is interested in spiritual values (Chappell, 1993: 32):

- We believe that both human beings and nature have inherent worth and deserve our respect.
- We believe in products that are safe, effective, and made of natural ingredients.
- We believe that our company and our products are unique and worthwhile, and that we can sustain these genuine qualities with an ongoing commitment to innovation and creativity.
- We believe that we have a responsibility to cultivate the best relationships possible with our co-workers, customers, owners, agents, suppliers, and our community.
- We believe in providing employees with a safe and fulfilling work environment, and an opportunity to grow and learn.
- We believe that our company can be financially successful while behaving in a socially responsible and environmentally sensitive manner.

Sant and Bakke founded AES, a power company, with the understanding that they would be socially responsible as well as profitable (Paine, 2003: 182-197). In fact, they "embedded" honesty, concern for the environment, empowerment, diversity, and values into the essence of the company. The company's website (http://www.aes.com/about-us/mission-vision-values-and-culture/default.aspx) notes that the following are the "mission, vision, values, and culture at AES:

> At AES, improving lives and making a lasting difference in the communities in which our businesses operate is a core part of our values and mission. We are committed to a wide range of social, economic and environmental initiatives that will improve the lives of our customers and their communities; protect the environments in which we operate; empower our people and businesses; and, improve long-term returns to our investors.

AES made management consulting firm Ethisphere's 2014 list of the world's most ethical companies (Adams, 2014). Some of the others listed amongst the 144 company list included Google, Ford Motor, Kellogg, Aflac, eBay, Adobe Systems, General Electric, Visa, and UPS.

Wal-Mart Watch (http://makingchangeatwalmart.org/) is of the opinion that Wal-Mart has strayed from the values of its founder, Sam Walton. Indeed, Wal-Mart is under attack for not having good values. The firm has been accused of abusing employees by underpaying them, overworking them, and not providing adequate health insurance. Below is an example of what is found at the Making Change at Walmart website (http://makingchangeatwalmart.org/factsheet/):

- 196,000→ Number of U.S. jobs lost from 2001-2006 as a result of Walmart's imports from China
- 11% → Conservative estimate of percentage of Walmart's share of U.S. Trade Deficit with China
- $8.8 million→ Cost to Massachusetts (PDF) of Walmart associates using publicly subsidized health care in 2009
- $1 billion → Cost to nation if public safety net use by Walmart associates in Massachusetts is adjusted nationwide and Walmart associates are paying the price…
- $15,500 → Average annual salary of a Walmart sales associate (based on an IBIS World figure)
- $8.81 → Average hourly wage of a Walmart sales associate (based on an IBIS World figure)
- 46¢ → Additional cost per shopping trip for a Walmart customer if the company offered a minimum wage of $12 an hour

Note that the cost of raising the minimum wage to $12 an hour at Walmart would have a very small impact on price or profits. This is why it is so important for spiritual values to be embedded into the finance and accounting curricula.

CONCLUSION

The time has come for academics to conquer the fear of teaching spirituality, even in accounting and finance courses. Indeed, Zsolnai (2007) asserts that "there is no inherent conflict between spirituality and business in the major Eastern and Western traditions." What we should be afraid of teaching students is the theory of maximizing shareholder value as the goal of the firm. We should also not teach students that "economic man" or *homo economicus* acts with perfect rationality and is interested in maximizing his/her self- interest (Hámori, 1999; Friedman & Friedman, 2008). In other words, rational people make perfectly informed and logical decisions and are concerned only about their own selfish needs. It sounds like we are teaching students that it is rational to be extremely selfish and unconcerned with others, i.e., act like a sociopath. Asch & Gigliotti (1991) posit that "by equating rational behavior with free riding economists might be proselytizing rather than educating." López-Pérez & Spiegelman (2012) conducted a study on truthfulness and found that the least honest college majors were those in economics and business (23% honesty rate vs. slightly greater than 50% for humanities majors). Is it possible that by teaching students about maximizing shareholder value and *home economicus* we are also inadvertently teaching about the unimportance of spiritual values?

There is a growing body of research that provides strong empirical evidence that firms with spiritual values will perform better than those without (Mitroff & Denton, 1999; Jurkiewicz & Giacalone, 2004; Pandey & Gupta, 2008; Karakas, 2010; Gross & Holland, 2011). Those firms have employees that are more loyal, productive, and innovative than other companies. Moreover, students can more easily relate to the view that work should be meaningful and acknowledge that the sole purpose of the firm is not to maximize its utility but rather to attempt to better the world. Students are very idealistic and impressionable and are therefore a good target audience to absorb the subject of spirituality. Students taught about the objective of "maximizing shareholder value" should concurrently be taught how it has been abused. Many executives have used it to focus on the short term, in effect stressing the importance of wealth for the benefit of a few executives, encouraging the use of accounting gimmicks, and ignoring the needs of all other stakeholders, including long-term investors. It can easily be seen as the opposite of spirituality. The future of our generation resides in the hands of our students. Teaching them the proper core values in a classroom setting can only help to benefit future corporate success by focusing not only on utility maximization but on achieving profitability without losing sight of spiritual values.

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