An Examination of Business Students' Perception of Corporate Social Responsibilities Before and After Bankruptcies

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ABSTRACT. Significant research has found that corporations have a social responsibility beyond maximizing shareholders' value. This study examines the effect of high-profile corporate bankruptcies on perception of corporate social responsibility. Undergraduate and graduate business students rated the importance of corporate social responsibility on profitability, long-term success and short-term success, before and after high-profile bankruptcies. The results indicated that students in general perceived corporate social responsibility to be more important to profitability and long-term success of the firm and less important to short-term success *after* media publicity of corporate scandals. Several demographic factors such as gender, age and college major played a role in this perception. These findings have important implications for business education, especially as it relates to corporate social responsibility.

KEY WORDS: social responsibility, business ethics

Corporate social responsibility has received considerable attention in business research. Most of this research concluded that corporations have a responsibility to various stakeholder groups beyond maximizing stock price (Orlitzky and Benjamin, 2001) and that social responsibility is important in determining corporate effectiveness (Lachman and Wolfe, 1997). Recently, major corporate bankruptcies such as Enron and WorldCom have focused attention on corporate social responsibility. These bankruptcies resulted in significant damage to many stakeholders such as shareholders, employees, creditors and auditors (Sridharan et al., 2002).

The purpose of this study is to investigate whether highly publicized corporate failures have an impact on perception of the importance of corporate social responsibility on corporate effectiveness. The sample consisted of undergraduate and graduate business students since they are tomorrow's managers, marketers and accountants. Previous research has shown that students can become more aware of a corporation's social responsibility after extensive readings and class discussion (Gordon, 1998). This study tests whether extensive media publicity of negative corporate behavior increases students' perception of the importance of corporate social responsibility on effectiveness. A longitudinal study is conducted *before* and *after* corporate bankruptcies, one year apart, to determine the change in perception. Specifically, it investigates whether negative ethical behavior by corporate managers makes students more aware of the importance of social responsibility in effectiveness. The later is measured by increased profitability, more focus on long-term success of the firm and less focus on short-term success (Singhapakdi et al., 1996). The study also examines whether demographic factors such as gender, age, college major and work experience

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have an impact on the perception of the importance of social responsibility.

This paper is organized as follows: Following this introduction is a literature review of the extensive research involving corporate social responsibility and its relationship with effectiveness. Business students' perception of social responsibility is reviewed in the context of recent high-profile corporate bankruptcies. The next section discusses the objectives of the current study and its hypotheses. Next, the research method and sample selection methods are discussed as well as the results. Finally, the implications for business education and future research on corporate social responsibility are explored.

Literature review

Corporate social responsibility

The concept that businesses have an obligation to society can be traced to Bowen (1953). He argued that business managers should ''pursue those policies, make those decisions, or follow those lines of actions which are desirable in terms of the objectives and values of our society'' (Bowen, 1953, p. 6). Steiner (1972) referred to social responsibility as a ''social contract'' between business and society that relates to the corporate impact on the welfare of society.

The notion of corporate social responsibility has generated considerable debates in the last few decades. On one hand, a point of view argues that the only objective of business is to make a profit. Friedman (1970) asserted that resources devoted to corporate social responsibility are better spent, from a social perspective, on increasing firm efficiency. Carson (1993) explained that managers place themselves in the place of non-elected officials when engaging in corporate social responsibility.

On the other hand, significant support has been provided to the concept of corporate social responsibility. Davis (1974) argued that public visibility of corporate actions required managers to become socially responsible and that business, as an essential component of society, has a responsibility toward solving problems of social concern. Freeman (1984) defended this viewpoint and developed the S*takeholder theory*. Freeman argued that firms have relationships with many constituent groups who both affect and are affected by the actions of the firm. The stakeholder theory became the dominant paradigm in corporate social responsibility (McWilliams and Siegel, 2001) and is the basis of the current study.

Corporate social responsibility and effectiveness

The concept of organizational effectiveness has received considerable attention in the management literature. Posner and Schmidt (1984, p. 208) called organizational effectiveness ''the central focus of most practicing managers''. The authors argued that different priorities are attached to different goals depending on the degree of their contribution to effectiveness. In an attempt to measure organizational effectiveness, Zahra and LaTour (1987) explained organizational effectiveness as (1) entrepreneurial viability, (2) satisfaction of the public needs and (3) profit and growth.

Empirical research explored the relationship between corporate social responsibility and organizational effectiveness. Zahra and LaTour (1987) found that both measures are multidimensional constructs. They suggested that managers should give priority to the area(s) of corporate social responsibility that are most related to their desired measure(s) of effectiveness. Zahra and LaTour (1987) cautioned against using a single measure of social responsibility and relating it to a single measure of effectiveness. Lachman and Wolfe (1997) concluded that the two concepts are interfaced, and quite often, intersect in the organization's mission. Singhapakdi et al. (1995) examined the perception of marketers regarding the importance of social responsibility to organizational effectiveness. The results indicated that marketers viewed social responsibility as an important determinant of effectiveness. The authors noted that these findings should assure managers that they do not need to sacrifice profit when engaging in socially responsible behavior.

Determinants of effectiveness

Building on the multidimensional nature of social responsibility and effectiveness, Singhapakdi et al. (1996) argued that socially responsible performance neither adequately defines nor causes organizational effectiveness, but rather is one of its potential determinants. They defined effectiveness as profitability, long-term success, and short-term success.

Subsequent research has explored the relationship between social responsibility and the three determinants of effectiveness offered by Singhapakdi et al. (1996). Evidence points to the importance of social responsibility in profitability. Statistics revealed that 88% of U.S. consumers were more likely to buy from a company that is socially responsible (Smith, 1996). Brown and Dacin (1997) found that corporate social responsibility can enhance product evaluation. Based on the importance of social responsibility in firm profitability, Waddock and Graves (1997) developed "The Theory of Good Management". The authors showed that good social responsibility performance contributed to improved financial performance and argued that managers who develop good relationships with various shareholders will be rewarded with stronger corporate performance. A study was also conducted by a Chicago-based Investment Company to examine the relationship between social responsibility and profitability. The results indicated that 200 companies ranking highest on social responsibility outperformed the S&P 500 Index between 1988 and 1992 (Carroll and Burchholtz, 2000).

Orlitzky et al. (2003) conducted a meta-anlysis of 52 studies dealing with the relationship between social responsibility and profitability. The study was motivated by the contention in the management literature that the link between social performance and financial performance was too fractured to draw a generalizable conclusion. The authors found that corporate social responsibility was significantly correlated with accounting-based measures of financial performance and, to a lesser extent, with market-based measures of performance (Orlitzky et al., 2003). The study provided strong evidence of the positive link between social responsibility and profitability.

Research has also been conducted on the relationship between social responsibility and both long-term and short-term success of the firm. Alexander (1984) noted that some companies with a bad social responsibility reputation employ tactics such as suppressing information and denying the charges. The author posits that such actions may work in ensuring the short-term success of the firm. However, in the long-term, effectiveness will depend on the responsiveness of such companies to criticisms. Miller (1998) also criticized corporations for their preoccupation with short-term success by only focusing on short-term shareholders' profits. Such behavior as downsizing the long-term workforce does not represent corporate effectiveness, according to Miller (1998). Other research has also advocated long-term success of the firm as a measure of effectiveness compared to a focus on short-term gains. For example, Porter and Kramer (2002) criticized many corporations for instituting philanthropy programs as short-term indicators of social responsibility without a corresponding long-term strategy for serving the communities where they operate. Epstein and Roy (2001) agreed with this contention and advocated forward-looking corporate leadership that focuses on the long-term success of the firm as a measure of effectiveness rather than a preoccupation with short-term investors' demands for profits.

Business students and social responsibility

The increasing attention given to corporate social responsibility has led to more research being conducted on students. Business ethics has been significantly integrated in the curriculum (Borkowski and Ugras, 1998). However, not enough emphasis has been placed on corporate social responsibility. Gioia (2002) argued that the teaching of social responsibility has been marginalized in business curricula. He even found that the percentage of business students who believed that maximizing shareholders' value was the company's prime responsibility increased from 68% upon entrance to college to 82% by the end of the first year (Gioia, 2002).

Some empirical research has been conducted to measure students' perception of social responsibility. Most studies also investigated demographic factors as possible explanatory variables. In order to investigate work experience as an explanatory variable in social responsibility perception, Kraft (1991) examined the relative importance of social responsibility in determining effectiveness among undergraduate students acting as managers. The results indicated that students viewed social responsibility as relatively unimportant compared to other determinants associated with finance, marketing and personnel. Kraft and Singhapakdi (1995) conducted another study to determine the relative importance of corporate social responsibility in effectiveness. Asking the students to respond as managers, the study reached similar conclusions to Kraft (1991). The students generally believed that social responsibility was unimportant as a determinant of effectiveness. In addition, MBA students with work experience rated social responsibility as significantly more important in effectiveness compared to undergraduate students without work experience. Based on both studies, Kraft and Singhapakdi (1995) argued that ethics education and age could also be explanatory variables in perception differences between graduate and undergraduate students since the former group of students was older and received more exposure to ethics education compared to the latter group.

Other studies were also conducted on students to measure their social responsibility perception and to examine work experience and age as possible explanatory variables. For example, Kumar (1995) attempted to predict the social orientation of graduate and undergraduate business students. The results showed that over three quarters of the students showed strong orientation towards social responsibility. The results also indicated that graduate students exhibited a stronger social orientation than undergraduate students. Kumar (1995) attributed this demographic difference to work experience and to the age of the respondents. He argued that adult students were less likely to change attitudes compared to younger ones (Kumar, 1995).

Research has also investigated the perception of social responsibility based on gender and college major. Regarding gender, many studies have been conducted to examine differences between male and female students in ethical perception. In a meta-analysis of these studies, Borkowski and Ugras (1998) found that most studies concluded that females judged ethical infractions more harshly than males. Paul et al. (1997) investigated gender differences in social responsibility perception. They found that female students were more sensitive to corporate social responsibility compared to males. Burton and Hegarty (1999) also reached similar conclusions.

Jeffrey (1993) examined college major as an explanatory variable in students' ethical perceptions. The results indicated that accounting majors exhibited higher ethical development compared to students majoring in other business disciplines. Cohen et al. (1998) also examined gender and college major as determinants of college major. They concluded that accounting majors and females viewed ethically ambiguous situations as less ethical compared to other business majors and males, respectively.

The previous results led to attempts to sensitize students toward the importance of social responsibility. Gordon (1998) tested whether extensive class readings and discussion make a difference in students' perception of the importance of social responsibility. The results indicated that students viewed social responsibility as more important to organizational effectiveness after the readings and discussion.

High-profile corporate bankruptcies

As the debate concerning the importance of corporate social responsibility continued, significant business events occurred that would focus the public's attention once again on corporations and their social role.

In late 2001 and early 2002, the business world witnessed the collapse of two corporate giants: Enron and WorldCom. Many other major corporations such as Tyson and Xerox were also under investigation. In fact, as of July 2001, the SEC reported 260 fraud investigations, a dramatic increase over previous years (Martin et al., 2002). Most of these investigations involved accounting practices known as ''earnings management''. In late 1998, the former SEC Chairman, Arthur Levitt, focused the business community's attention on what he called ''accounting hocus-pocus''. According to the SEC, the true activities of the firm and its financial picture were masked by creative operating and accounting practices known as earnings management (Levitt, 1998, p. 14). This contention would prove to be true a few years later.

Carroll (1979) suggested that businesses have to fulfill four main responsibilities: economic, ethical, legal and philanthropic. Sridharan et al. (2002) argued that the managers and directors of Enron, WorldCom and other bankrupt corporations failed to fulfill at least three of these obligations: Economic, ethical and legal.

These major corporate bankruptcies refocused the attention on the widely accepted corporate goal of maximizing shareholders' wealth. Priest (2002) stated that most people concluded that corporate culture in these bankrupt firms valued innovation, aggressiveness and pushing the edge. Millman (2002) argued that many parties such as managers, legal advisors, accountants and investors have aligned interests related to shareholders' wealth maximization. Under these conditions, it makes it difficult for someone to say 'these other considerations should take priority' (Millman, 2002, p. 17).

In a defense of shareholders' wealth maximization as a legitimate business goal, Dobson (1999) denies that corporate failure can be attributed to a legitimate business objective. He argues that the moral lapse of corporate managers is to blame for corporate scandals and not the goal of wealth maximization.

Study objectives and hypotheses

The recent high-profile corporate bankruptcies coupled with the increasing emphasis on corporate social responsibility lead to the current study. The study is grounded in the stakeholder theory advanced by Freeman (1984) that states that socially responsible corporations affect and are affected by many stakeholders such as employees, investors, creditors and auditors. The collapse of Enron and WorldCom and the potential collapse of many other corporations resulted in huge losses to all stakeholders. Most of the employees lost their jobs and nearly all their retirement savings, individual and institutional investors lost fortunes in the bankrupt companies, creditors were left with a bankrupt company and Arthur Andersen, one of the country's largest audit firms, was facing loss of clients, SEC investigation and Justice Department indictments (Sridharan et al., 2002).

The purpose of this study is to test if major corporate bankruptcies such as Enron and WorldCom, and the investigation of many others, have an affect on perception of social responsibility. Since this negative corporate behavior is considered socially irresponsible, due to its negative consequences on stakeholders, the study investigates whether publicity makes a difference in perception. The bankruptcy stories of Enron and WorldCom have been on the front page of every major newspaper. The twists and turns the stories have taken made for captivating readings. Shortly before the stories broke, newspapers were reporting on the extravagant and lavish lifestyles of corporate managers (Grace, 2002).

The current study uses a sample of business students for two reasons. First, business students will graduate to assume many different responsibilities: Accountants, corporate managers, marketers, etc. Surveying business students gives an insight on the social responsibility perception of a diverse population that will be tomorrow's business professionals. Second, many researchers have argued that ethics training should start in the business classroom (see Borkowsi and Ugras, 1998 for a meta-analysis). This call was intensified in light of the major corporate scandals. Gioia (2002) advocated that business schools should not only be critical observers of events around us, but rather they should be active change agents to fix them. Brinkmann and Sims (2001) also suggested that business ethics education should integrate a discussion of stakeholders.

Based on these calls of increased emphasis on corporate social responsibility in business classrooms, the current study assumes that students must first perceive social responsibility to be an important determinant of corporate effectiveness before any education intervention methods can be effective. This perception would make educating students easier. The bankruptcies of Enron and WorldCom, and the SEC's investigation of many others, provide a suitable background to test the perception of the importance of social responsibility on effectiveness. The business literature argues that corporations can not be considered effective if they were having deleterious consequences on stakeholders (Mohr, 1983). Strand (1983) also argued that corporate social responsibility is an indistinguishable component of its effectiveness. This is confirmed by empirical research showing positive correlation between these two factors (Riahi-Belkaoui, 1999).

The current study uses Singhapakdi et al. (1996) definition of effectiveness as increasing profitability, a focus on long-term success of the firm and less preoccupation with short-term success. Based on previous research, it is expected that students will view social responsibility as positively more important to profitability and long-term gains after the bankruptcies. In the meantime, they will view social responsibility as less important to short-term success of the firm after the bankruptcies. The first hypothesis is therefore stated as follows:

H1: Business students will have a higher perception of the importance of social responsibility on corporate effectiveness (as determined by more profitability and long-term success and less short-term success) after high-profile corporate bankruptcies compared to before the bankruptcies.

The study also investigates whether demographic factors such as age, gender, college major, ethics education and work experience make a difference in shaping this perception. The current study investigates these demographic factors in the context of corporate bankruptcies. The second hypothesis is stated as follows:

H2: There are significant differences in the perception of the importance of social responsibility in effectiveness before and after corporate bankruptcies based on demographics such as gender, age, work experience, ethics education and college major.

Study method

Sample selection

The sample for this study consisted of undergraduate and graduate business students in three universities in the Southwest, Southeast and Mountain regions of the United States. The Southeastern and Mountain universities have business programs accredited by the American Assembly of Collegiate Schools of Business (AACSB), the international management accrediting agency, while the Southwestern University was not AACSB-accredited. A survey was developed and administered in many required undergraduate business classes such as Business Policy and Strategy, Principles of Marketing and Principles of Finance. All these classes included at least junior (third year) students. The purpose of this selection is to get a diverse sample of all business majors. In addition, conversations with several faculty at all three universities indicated that students were exposed to the importance of corporate social responsibility in lower-level business courses such as Principles of Accounting and Introduction to Business. Since the purpose of this study is to determine the impact of media publicity of corporate scandals on social responsibility and effectiveness, a more appropriate sample would be students who already had knowledge of corporate social responsibility, therefore an intermediate and upper-level sample. This means that students in the sample understand the meaning of social responsibility, although not necessarily agree with its benefits. Graduate classes surveyed included required classes in MBA programs. However, since graduate students differ significantly from undergraduates in terms of age, work experience and maturity level, the study also examines graduate students separately. The purpose of this separation is to determine if students with work experience, as close as possible to business managers, have a different perception of social responsibility after bankruptcies compared to younger and less experienced students.

The questionnaire was administered in September 2001 during class time and resulted in a sample of 466 students. The first signs of Enron's bankruptcies occurred a month later. In the following several months, the media publicity of corporate scandals intensified and in early 2002, WorldCom also declared bankruptcy. This was followed by extensive publicity of other investigations of Xerox and Tyson Foods. The same survey was administered again in September 2002 to the same students. Only students who responded a year earlier were asked to complete another questionnaire. Another requirement was that the student must not have changed majors during the last year. Students were not told to consider recent events in completing the questionnaire and they were assured of confidentiality. In the second administration, the sample consisted of 324 students (69.5% of the original sample). This difference resulted because many students graduated, were not available for a second administration or changed majors.

Since the purpose of the study is to provide a longitudinal analysis of students' perception after particular events (i.e. bankruptcies), only the 324 students responding for the second time were used in the analysis. The additional students from the first sample were not included in the data analysis. This represents a drop-out rate of about 30%. The drop-out rate is a concern in longitudinal studies since the students who only completed the first questionnaire may possess characteristics different from those who completed both questionnaires. In order to test for drop-out rate bias, the students who completed the first questionnaire but not the second ($N = 142$) were compared with students who completed both questionnaires ($N = 324$) to test for any differences in age, gender an other demographics as well as responses on social responsibility perception. The comparison of the two samples resulted in no statistically significant differences based on demographics or social responsibility perception.

Students were matched between the first and second samples using the many demographic questions provided at the end of the questionnaire, such as gender, age, major, ethics training and work experience. Two researchers separately matched the students who completed the two questionnaires, one year apart. Any differences in student matching were discussed between the researchers and only students who were positively matched by both researchers were included in the sample.

Measurements

In order to investigate the importance of corporate social responsibility in organizational effectiveness, it is important to realize that organizational effectiveness is a multidimensional construct (Zahra and LaTour, 1987). The current study also recognizes that social performance neither adequately defines nor causes effectiveness, but rather is one of its potential determinants (Singhapakdi et al., 1995). In order to measure the multidimensional nature of organizational effectiveness, the Perceived Role of Ethics and Social Responsibility (PRESOR) instrument was used. PRESOR was developed by Singhapakdi et al. (1996). The instrument consists of 13 statements and respondents record their agreement or disagreement with each statement on a nine-point scale ranging from 1 (totally disagree) to 9 (totally agree). The instrument yields three factors as measures of effectiveness: profitability (4 statements), long-term success (6 statements) and short-term success (3 statements). A copy of the survey is provided in the Appendix. A respondent who scores high on the profitability factor believes that social responsibility is important in determining a firm's profitability and competitiveness. A respondent who scores high on the long-term success factor believes that social responsibility plays an important role in the long-term success of the firm, including overall effectiveness and employee morale. A respondent who scores high on the short-term success factor believes that social responsibility has an effect on short-term success such as stockholders' happiness and making profits by any means. The questionnaire has been tested and validated. Reliability analysis showed coefficient alphas of 0.71 for profitability, 0.57 for long-term success and 0.64 for short-term success in the original Singhapakdi et al. (1996) study. The authors indicated that these coefficient alphas were sufficient in the exploratory stage of the survey and with a small sample. Coefficient alphas for this study were calculated and reliability was 0.80 for profitability, 0.76 for long-term success and 0.71 for short-term success. Predictive validity was also determined by Singhapakdi et al. (1996). PRESOR was correlated with ethical ideology (idealism and relativism) and a measure of socially responsible attitudes (Singhapakdi et al., 1996).

Several studies were conducted using PRESOR. Singhapakdi et al. (1996) concluded that undergraduate and graduate business students believed that corporate social responsibility is important in determining effectiveness as measured by profitability, long-term and short-term success. Marta et al. (2000) used PRESOR to conduct a cross-cultural study of business students' perception of the importance of social responsibility. The results indicated that business students from the U.S. and New Zealand had a higher perception of this importance compared to business students from India. Elias (2002) used PRESOR to survey accounting practitioners, faculty and students on the perception of earnings management ethics. The results indicated that social responsibility was significantly correlated with the perception of earnings management ethics. Respondents who believed that corporate social responsibility was important in profitability and long-term success of the firm were more likely to view earnings management as unethical. Those respondents who viewed social responsibility to be important in short-term success viewed earnings management activities as more ethical (Elias, 2002).

Study results

The first step in data analysis was to determine if there were significant differences between students in the three universities. Students' responses on the three factors of corporate effectiveness (profitability, long-term and short-term success) were compared using ANOVA. No significant differences emerged on any of these factors. Therefore, the students from the three universities were combined into one sample ($N = 324$). The demographic characteristics of the sample are presented in Table I.

The demographics indicate that the sample was about evenly distributed between males ($N = 161$) and females ($N = 163$), mostly younger than 25 years of age, and with less than five years of work experience. In addition, the majority of the students were accounting and management majors with the least numbers majoring in economics and general business. The majority of the students perceived that they received ethics education in their classes.

The following step involved examining differences in the perception of the importance of social responsibility on profitability, long-term success and short-term success. Table II presents the results of the *t*-tests for each factor before and after the bankruptcies. The students were then separated into graduates ($N = 95$) and undergraduates ($N = 229$). This separation is important because both groups of students differ significantly in age, maturity level and managerial experience. Therefore, it is interesting to examine if more mature students with more work experience and managerial power changed their opinion of social responsibility after the recent bankruptcies. Therefore only the 95 graduate students were analyzed using *t*-tests on the perception of social responsibility before and after bankruptcies. The results are also presented in Table II.

The results indicate that students, in general, were neutral in their perception of the importance of corporate social responsibility in profitability (Mean = 5.03). However, this perception increased after the media publicity of corporate failures (Mean = 5.20) to be slightly important. The students also perceived social responsibility to be very important in the long-term success of the firm (Mean = 7.04) and this perception became even significantly more important after corporate failures (Mean = 7.37). In addition, students did not agree that social responsibility was important in the short-term success of the firm (Mean = 3.57) and this perception became even weaker after corporate failures (Mean = 3.47). Overall, the results show that students believed that corporate social responsibility is important in profitability and long-term success and less important in short-term success.

TABLE I
Demographic charateristics of the student sample ($N = 324$)

Characteristic	*N*	Characteristic	*N*
Gender		*Experience level*	
Males	161	Less than 5 years	176
Females	163	5 to 10 years	76
		More than 10 years	72
Age			
<25 years old	189	*Major*	
25 years old and above	135	Accounting	70
		Finance	44
		Economics	18
		Management	75
Ethics education			
Yes	256	Marketing	46
No	68	General business	18
		MIS	53

TABLE II

Students' perception of the importance of social responsibility in effectiveness (N = 324)

	Profitability	Long-term success	Short-term success
Panel A: Comparison of students' perception after bankruptcies			
Before bankruptcies	5.03**	7.04***	3.57*
After Bankruptcies	5.20**	7.37***	3.47*
Panel B: Comparison of graduates' perception after bankruptcies			
Before bankruptcies	4.95	7.01***	3.52
After bankruptcies	5.01	7.12***	3.45

1 = totally disagree; 5 = neutral; 9 = totally agree; *** $p < 0.01$,** $p < 0.05$* $p < 0.10$.

However, even though students' perception of the importance of social responsibility in effectiveness is significant in statistical terms, the differences are small in practical terms. This represents a limitation of the current study.

When graduate students were analyzed separately, slightly different results appeared. In general, graduate students were less likely to change their perception of social responsibility after bankruptcies regarding profitability and short-term success of the firm. However, they also viewed social responsibility as significantly more important in long-term success after the bankruptcies.

The previous results indicated that corporate bankruptcies significantly affected the perception of social responsibility. The following steps involved testing for any differences among students in their perception. Table III presents the analysis of demographic differences:

In order to test for demographic differences, each effectiveness factor (i.e. profitability, long-term and short-term success) was treated separately. Each demographic factor was analyzed in a repeated measures ANOVA. For example, regarding gender, the data was analyzed in a 2 (gender) × 2 (time) repeated measures ANOVA with a test of interaction of Gender*Time. This type of ANOVA would allow the comparison of males and females before and after bankruptcies as well as the calculation of the mean perceptions in each time period. A comparison of these means would allow an examination of differences between males and females. Similar ANOVAs were performed for other demographic variables. The results generally indicated significant differences based on demographics before and after bankruptcies.

In general, female students perceived social responsibility to be more important in effectiveness before and after the bankruptcies compared to male students. In addition, females perceived social responsibility to be more important in profitability and long-term success and less important to short-term success after the bankruptcies. Male students believed the same only for the long-term success of the firm.

Regarding age, there were differences between younger (<25 years old) and older (25 years or >) students only on perception of long-term success before the bankruptcies. However, younger students were much more likely to change perception of the importance of social responsibility in all three factors of effectiveness compared to older students. That means that younger students were much more influenced by the bankruptcies compared to older students. The later group also increased its perception of the long-term success of the firm after the bankruptcies.

The results regarding work experience also provided significant differences. Before the bankruptcies, there were slight differences between students based on experience. The bankruptcies resulted in more significant differences. Students with less work experience were more likely to change perception of the importance of social responsibility on all factors of effectiveness. More experienced students only believed in its importance in the long-term success of the firm.

Students who perceived that they received ethics education in their classes were more likely to increase their perception of the importance of social responsibility after the bankruptcies. Students without ethics education were more likely to increase their per-

TABLE III

ANOVA Results		*Mean perception of social responsibility*			
Variable	*F*-value				
Gender					
Profitability					
Gender	4.56*	Males	Females	Males	Males
Time	5.69**	Before	Before	Before	After
Gender*Time	2.12*	4.93*	5.03*		
		Males	Females	Females	Females
		After	After	Before	After
		5.01**	5.16**	5.03**	5.16**
Long-term					
Gender	8.23***	Males	Females	Males	Males
Time	5.25**	Before	Before	Before	After
Gender*Time	3.56*	6.96***	7.23***	6.96**	7.19**
		Males	Females	Females	Females
		After	After	Before	After
		7.19***	7.53***	7.23***	7.53***
Short-term					
Gender	3.46*	Males	Females	Males	Males
Time	3.89*	Before	Before	Before	After
Gender*Time	2.98*				
		Males	Females	Females	Females
		After	After	Before	After
		3.45*	3.36*	3.48*	3.36*
Age					
Profitability					
Age	4.25*	<25	25 or >	<25	<25
Time	3.67*	Before	Before	Before	After
Age*Time	1.89			5.04**	5.18**
		<25	25 or >	25 or >	25 or >
		After	After	Before	After
Long-term					
Age	7.89***	<25	25 or >	<25	<25
Time	8.23***	Before	Before	Before	After
Age*Time	3.88*	7.10*	6.95*	7 .10***	7.39***
		<25	25 or >	25 or >	25 or >
		After	After	Before	After
				6.95***	7.33***
Short-term					
Age	4.16*	<25	25 or >	<25	<25
Time	4.09*	Before	Before	Before	After
Age*Time	1.69			3.60*	3.48*
		<25	25 or >	25 or >	25 or >
		After	After	Before	After

TABLE III (*Continued*)

ANOVA Results		*Mean perception of social responsibility*						
Variable	*F*-value							
Experience (years)								
Profitability								
Experience	3.29*	<5	5–10	>10	<5	<5	5–10	5–10
Time	4.02*	Before	Before	Before	Before	After	Before	After
Exper. * Time	2 .79*	5.01*	5.08*	5.12*	5.01**	5.19**	5.08*	5.22*
		<5	5–10	>10	>10	>10		
		After	After	After	Before	After		
Long-term								
Experience	5.64**	<5	5–10	>10	<5	<5	5–10	5–10
Time	6.86**	Before	Before	Before	Before	After	Before	After
Exper. * Time	3.23*	6.95**	7.09*	7.41*	6.95***	7.34***	7.09**	7.23**
		<5	5–10	>10	>10	>10		
		After	After	After	Before	After		
					7.41*	7.56*		
Short-term								
Experience	2.99*	<5	5–10	>10	<5	<5	5–10	5–10
Time	3.57*	Before	Before	Before	Before	After	Before	After
Exper.*Time	1.96				3.62*	3.51*		
		<5	5–10	>10	>10	>10		
		After	After	After	Before	After		
Ethics Education								
Profitability								
Ethics	3.68*	Yes	No	Yes	Yes			
Time	4.35*	Before	Before	Before	After			
Ethics*Time	3.01*	5.05*	4.93*	5.05**	5.18**			
		Yes	No	No	No			
		After	After	Before	After			
Long-term								
Ehics	9.58***	Yes	No	Yes	Yes			
Time	8.53***	Before	Before	Before	After			
Ethics*Time	5.33**	7.01**	7.21**	7.01***	7.39***			
		Yes	No	No	No			
		After	After	Before	After			
				7.21*	7.35*			
Short-term								
Ethics	3.56*	Yes	No	Yes	Yes			
Time	4.19*	Before	Before	Before	After			
Ethics*Time	3.01*			3.53*	3.43*			
		Yes	No	No	No			
		After	After	Before	After			
College major								
Profitability			Before	After				
Major	5.09**	Accounting	4.80***	5.04***				
Time	6.23***	Finance						

TABLE III (*Continued*)

ANOVA Results		*Mean perception of social responsibility*		
Variable	F-value			
Major*Time	4.26*	Economics		
		Management	5.06**	5.22**
		Marketing	5.08**	5.23**
		MIS		
		General	4.95*	5.11*
Long-term			Before	After
Major	8.64***	Accounting	7.01***	7.42***
Time	7.98***	Finance	7.19*	7.31*
Major*Time	4.56*	Economics	7.26*	7.38*
		Management	7.01***	7 .40***
		Marketing	7.01*	7.34***
		MIS	7.12*	7.28*
		General	3.85*	3.71*
Short-term			Before	After
Major	3.96*	Accounting	3.53**	3.38**
Time	4.23*	Finance		
Major*Time	1.86	Economics		
		Management	3.42**	3.26**
		Marketing	3.91**	3.76**
		MIS		
		General	3.85*	3.71*

1 = totally disagree; 5 = neutral; 9 = totally agree; *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$; +++ $p < 0.01$; ++ $p < 0.05$; + $p < 0.10$.

ception of the importance of social responsibility only in the long-term success of the firm.

Results regarding major also produced significant differences. In general, the perception of accounting, management, marketing and general business majors was much more likely to change after bankruptcies compared to the perception of finance, economics and MIS majors. The later groups only increased their perception of the importance of social responsibility in the long-term success of the firm after corporate failures.

Discussion and implications

The current study examined differences in students' perception of the importance of social responsibility before and after major corporate failures. The results indicated that these events increased students' awareness of the importance of corporate social responsibility in profitability, long-term and short-term success of the firm. Students were less likely to focus on a short-term horizon. They perceived social responsibility to be less important to short-term success after corporate bankruptcies. Rather, they focused on the long-term success and profitability associated with social responsibility.

The results also suggest that not all students changed their opinion regarding social responsibility after corporate failures. Males, older and more experienced students were less likely to change their perception compared to females, younger and less experienced students, respectively. In addition, there were differences based on major. Economics, Finance and MIS majors were less likely to change perception compared to accounting, management and marketing majors.

Demographic differences found in this study show that business students are not unanimous in their perception of social responsibility. Marta et al. (2000) showed that culture makes a difference in social responsibility perception. This study shows that many of the factors that were shown to affect ethical perception also affect social responsibility perception. In a meta-analysis of previous ethics studies involving students, Borkowski and Ugras (1998) showed that most studies found female students exhibiting greater ethical sensitivity compared to male students. The current study reaches the same conclusion regarding social responsibility. Also, this study confirms Kroll's (2001) anecdotal evidence that younger students were more sensitive to the importance of social responsibility. When only graduate students with work experience were analyzed, their change of perception due to the bankruptcies was much weaker than their undergraduate counterparts. Business instructors should consider this maturity variable while teaching graduate classes.

The finding regarding ethics education also deserves some attention. According to the interviewed instructors, all students in the surveyed classes received integrated ethics education in their business classes, although not specifically a separate course in ethics education. However, some students (68 out of 324) responded that they have not received such education. These results point to a possible misconception by some students that the only way to teach ethics education is through a formal ethics course. It is also possible that these students missed the integration of ethics education in their classes and did not perceive it for its intended purpose (i.e. ethics education). This finding can be the topic of a future study: Are instructors perceiving ethics education the same way as students? This is important since students who perceived that they received ethics education were much more likely to change their perception regarding social responsibility than those who did not perceive such education.

The conclusions of this study provide several opportunities and challenges for business educators. Gordon (1998) has shown that class readings and discussion affected students' social responsibility perception. This study shows that publicity on a much larger scale also affected students' perception. Business educators should seize the opportunity of well-publicized corporate failures to sensitize students toward social responsibility. Case studies involving negative corporate behavior, such as Enron and WorldCom, should be presented to students even at times when no such high-profile bankruptcies exist. An interesting future study can look at whether students' perception decreases again after the high publicity of corporate scandals subsides or during periods of no scandals. Classroom discussion of the importance of social responsibility should also focus on the stakeholder theory advanced by Freeman (1984) and recommended in teaching business ethics courses by Brinkmann and Sims (2001). Gioia (2002) argues that business educators should act *as if* they can change attitudes towards ethical and socially responsible behavior. In addition, education should consider differences among students, especially based on declared major. Previous ethics research reached conflicting conclusions, generally with no apparent major differences (Borkowski and Ugras, 1998). The current study found that accounting, management and marketing majors were more sensitive to social responsibility compared to other majors. It seems that students in certain majors such as Finance and Economics do not view social responsibility as important to effectiveness. An interesting future study can examine whether there are systematic curricula or instructional methods that make certain majors less sensitive to the importance of social responsibility than others. If so, instructors should collaborate to emphasize social responsibility to all students (Gioia, 2002).

Previous research also offers suggestions for improving students' ethical sensitivity. Jones and Ottaway (2001) suggested that corporate ethical field trips can have positive effect on students' perception. This concept can also apply to social responsibility. For example, a business school can have a field trip component during the student's business program that will expose him/her to an ethical/socially responsible company. Such company can offer students specific examples of ethical and socially responsible behavior.

The results of this study should be interpreted in light of the following limitations. First, although care was taken to match the correct students who completed both questionnaires, and only students who were positively matched by both researchers were included in the sample, there still remains the possibility that some students were not matched correctly. This represents a limitation of the results. Second, a competing hypothesis in this study is that the differences in social responsibility perceptions are due to students receiving ethics and social responsibility instruction during this year, and not necessarily due to the bankruptcies. Finally, during the year under study, two companies with different social responsibility reputation declared bankruptcies. Enron had a good social responsibility reputation but MCI did not. It is possible that students' perception would have been different if either company declared bankruptcy during the year and not both.

Appendix

Totally Disagree								*Totally Agree*
1	2	3	4	5	6	7	8	9

Perceived Role of Social Responsibility (PRESOR) *(adapted from Singhapakdi et al. (1996))

Please indicate your agreement or disagreement with each of the following statements according to the following scale and record your answer next to the question number:

Factor 1: Social responsibility and profitability

_____ 1. To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.

_____ 2. Social responsibility and profitability can be compatible.

_____ 3. Good ethics is often good business.

_____ 4. If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.

Factor 2: Social responsibility and long-term success

_____ 5. Being ethical and social responsible is the most important thing a firm can do.

_____ 6. A firm's first priority should be employee morale.

_____ 7. The ethics and social responsibility of a firm is essential to its long term profitability.

_____ 8. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.

_____ 9. Business ethics and social responsibility are critical to the survival of a business enterprise.

_____ 10. Business has social responsibility beyond making a profit.

Factor 3: Social responsibility and short-term success

_____ 11. The most important concern for a firm is making a profit, even if it means bending or breaking the rules.

_____ 12. Efficiency is much more important to a firm than whether or not a firm is seen as ethical or socially responsible.

_____ 13. If the stockholders are unhappy, nothing else matters.

• The survey instrument presented to students did not include the factor titles.

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